

Public Document Pack



PENSION FUND COMMITTEE AND PENSION BOARD FRIDAY, 30 NOVEMBER 2018

A MEETING of the PENSION FUND COMMITTEE AND PENSION BOARD will be held in the COUNCIL CHAMBER, COUNCIL HEADQUARTERS, NEWTOWN ST BOSWELLS on FRIDAY, 30 NOVEMBER 2018 at 10.00 AM

J. J. WILKINSON,
Clerk to the Council,

23 November 2018

BUSINESS		
1.	Apologies for Absence	
2.	Order of Business	
3.	Declarations of Interest	
4.	Minute (Pages 5 - 10) Minute of Meeting held on 13 September 2018 to be noted and signed by the Chairman. (Copy attached).	5 mins
5.	Pension Fund Investment and Performance Sub-Committee (Pages 11 - 12) To note the Minute of the Pension Fund Investment and Performance Sub-Committee held on 29 October 2018. (Copy attached).	2 mins
6.	Review of Additional Voluntary Contribution (AVC) Provision (Pages 13 - 40) Consider report by Chief Financial Officer. (Copy attached).	20 mins
7.	Risk Register Update (Pages 41 - 48) Consider report by Chief Financial Officer. (Copy attached).	5 mins
8.	Communication Policy (Pages 49 - 58) Consider report by Chief Financial Officer. (Copy attached).	15 mins
9.	Business Plan Performance Update (Pages 59 - 66) Consider report by Chief Financial Officer. (Copy attached).	10 mins

10.	Budget Monitoring to 30 September 2018 (Pages 67 - 70) Consider report by Chief Financial Officer. (Copy attached).	5 mins
11.	Review of the Structure of Scottish Local Government Pension Scheme - Consultation Response (Pages 71 - 96) Consider report by Chief Financial Officer. (Copy attached).	20 mins
12.	Statement of Responsible Investment Policy (Pages 97 - 104) Consider report by Chief Financial Officer. (Copy attached).	15 mins
13.	Information Update (Pages 105 - 108) Consider briefing paper by Chief Financial Officer. (Copy attached).	10 mins
14.	Any Other Items Previously Circulated	
15.	Any Other Items which the Chairman Decides are Urgent	
16.	Items Likely To Be Taken In Private Before proceeding with the private business, the following motion should be approved:- “That under Section 50A(4) of the Local Government (Scotland) Act 1973 the public be excluded from the meeting for the following items of business on the grounds that they involve the likely disclosure of exempt information as defined in paragraph 8 of Part 1 of Schedule 7A to the aforementioned Act.”	
17.	Minute (Pages 109 - 110) Private Section of Minute of Meeting held on 13 September 2018 to be noted and signed by the Chairman. (Copy attached).	5 mins
18.	Pension Fund Investment and Performance Sub-Committee (Pages 111 - 116) To note the private minute of the Pension Fund Investment and Performance Sub-Committee held on 29 October 2018. (Copy attached).	2 mins
19.	Quarter Performance Update (Pages 117 - 158) Consider report by KPMG. (Copy attached).	30 mins
20.	Infrastructure Investment Update (Pages 159 - 166) Consider report by Chief Financial Officer. (Copy attached).	5 mins
21.	Infrastructure Debt Procurement Consider report by Chief Financial Officer. (To follow).	10 mins
22.	Procurement Update Actuary (Pages 167 - 170) Consider report by Chief Financial Officer. (Copy attached).	10 mins

NOTES

1. **Timings given above are only indicative and not intended to inhibit Members' discussions.**
2. **Members are reminded that, if they have a pecuniary or non-pecuniary interest in any item of business coming before the meeting, that interest should be declared prior to commencement of discussion on that item. Such declaration will be recorded in the Minute of the meeting.**

Membership of Committee:- Councillors D. Parker (Chairman), J. Brown, G. Edgar, C. Hamilton, D. Moffat, S. Mountford, S. Scott, S. Aitchison, Mr E Barclay, Mr M Drysdale, Ms K M Hughes, Ms H Robertson, Ms L Ross and Ms C Stewart.

Please direct any enquiries to Judith Turnbull Tel No. 01835 826556
Email: Judith.Turnbull@scotborders.gov.uk

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**SCOTTISH BORDERS COUNCIL
PENSION FUND COMMITTEE AND PENSION BOARD**

MINUTES of Meeting of the PENSION FUND
COMMITTEE AND PENSION BOARD held
in Council Chamber, Council Headquarters,
Newtown St Boswells on Thursday, 13
September 2018 at 10.00 am

Present:- Councillors D. Parker (Chairman), J. Brown, S. Scott, S. Aitchison,
Mr E Barclay, Mr M Drysdale, Ms K M Hughes, Ms L Ross, Mr P Smith and
Ms C Stewart Ms L Ross, Ms C Stewart.

Apologies:- Councillor G Edgar, D Moffat, Mr J Terras

In Attendance:- Chief Financial Officer, Pension and Investment Manager, HR Shared
Services Manager, Chief Officer Audit & Risk, HRSS Team Leader, Mr A
Singh (KPMG), Democratic Services Officer (J Turnbull).

1. **MINUTE**

There had been circulated copies of the Minute of the Meeting of 14 June 2018.

DECISION

NOTED for signature by the Chairman.

2. **PENSION FUND INVESTMENT PERFORMANCE SUB-COMMITTEE**

There had been circulated copies of the Minute of the Pension Fund Investment and
Performance Sub-Committee dated 22 August 2018.

DECISION

NOTED the Minute.

3. **PENSION FUND BUDGET MONITORING TO 30 JUNE 2018**

With reference to paragraph 12 of the Minute of 14 June 2018, there had been circulated
copies of a report by the Chief Financial Officer. The report provided an update on the
Pension Fund budget to 30 June 2018, including projections to 31 March 2019. The
Local Government Pension Scheme (Scotland) Regulation 2014 required Administering
Authorities to ensure strong governance arrangements and set out the standards they
were to be measured against. To ensure the Fund met the standards a budget was
approved on 14 June 2018, following the recommendations within the CIPFA accounting
guidelines headings. The report was the third quarterly monitoring report of the approved
budgets and showed the total expenditure to 30 June 2018 was £0.080m with a projected
total expenditure of £6.839m, which was in line with the budget.

DECISION

NOTED:

- (a) **The actual expenditure to 30 June 2018; and**
- (b) **The projected expenditure.**

4. **RISK REGISTER UPDATE**

- 4.1 With reference to paragraph 11 of the Minute of 14 June 2018, there had been circulated
copies of a report by the Chief Financial Officer which formed part of the risk review
requirements. The report provided the Pension Fund Committee and Pension Board with
an update of the progress of actions taken by management to mitigate these risks, a
review of any new risks and highlighted changes to any of the risks contained in the risk
register. Identifying and managing risk was a corner stone of effective management and

was required under the Council's Risk Management Policy and process guide and CIPFA's guidance "Delivering Governance in Local Government Framework 2007". It was further reflected and enhanced in the "Local Government Pension Scheme" published by CIPFA. A full risk review had been undertaken on 1 May 2018 and the revised risk register was approved by the joint Pension Fund Committee and Pension Board on 14 June 2018. Appendix 1 to the report, detailed the risks within the approved risk register, actions and progress of these actions to date. The report explained that two risks had been rescored: Risk 4.1 - Liquidity – had identified additional controls around cashflow which had impacted the overall score to 4. Risk 5.5 - Administrative - had been reduced to 4 following the completion of work required under the new General Data Protection Regulations (GDPR).

- 4.2 In response to a question regarding the impact on the Fund of a reduction in the workforce, the Chief Financial Officer, Mr Robertson, explained that the Fund being 114% funded, proposed changes to the Investment Strategy and auto-enrolment meant that the Fund would meet its objectives in the future. With regard to staff transferring out of the Fund, the HR Shared Services Team Leader, Ms Green, advised that by informing staff of the benefits of the Fund they were encouraged to remain; an update would be provided at the next meeting with further detail. With regard to risk scoring, the Chief Officer Audit & Risk, Ms Stacey, clarified that the scoring followed the Council's Standard Risk Management process guide.

DECISION

(a) NOTED

- (i) The management actions progress as contained in Appendix 1, to the report;**
 - (ii) The revised scores for risk 4.1 and 5.5;**
 - (iii) No new quantifiable risks had been identified since the last review; and**
 - (iv) That further information on reasons for staff opting out of the Scheme be provided at the next meeting.**
- (b) AGREED to a key risk review being undertaken in December 2018 and reporting of progress on the risk management actions.**

5. PENSION ADMINISTRATION STRATEGY

There had been circulated a report by Service Director Human Resources proposing the revised Pension Administration Strategy for Scottish Borders Council Pension Fund. The Pension Fund was required by the Local Government Pension Scheme (Scotland) Regulations 2018 to have an up-to-date Pension Administration Strategy. The report explained that the Strategy, attached as Appendix 1 to the report, contained only minor amendments to the previously approved document – mainly Appendix A 'Scheduled and Admitted Bodies' and updated references from the 2014 to 2018 regulations.

DECISION

AGREED the Pension Administration Strategy as set out in Appendix 1 to the report.

6. LGPS STRUCTURE CONSULTATION

- 6.1 There had been circulated copies of the Scottish Local Government Pension Scheme Advisory Board Consultation on the Review of the Structure of the Scottish Local Government Pension Fund. Mr Robertson explained that the Pension Fund Committee and Pension Board had been invited to submit feedback on the four options contained in the consultation documentation.

- 6.2 To facilitate discussion, Mr Robertson advised that the Scottish Borders Pension Fund was maintaining a good level of funding and investment performance over the short, medium and longer term. He referred to the four options detailed in the documentation: Option 1 'Retain the current structure with 11 funds'; Option 2 – 'Promote cooperation in investing and administration between the 11 funds'; Option 3 – Pool investments between the 11 funds; and, Option 4 'Merge the funds into one or more new funds', summarising the advantages and disadvantages of each option. It was noted that officers considered that there were significant disadvantages with the full merger option and that the consultation documentation did not provide sufficient information on the impact this would have on funding arrangements. Full merger would also require a new asset strategy, governance arrangements, TUPE transfer for pension staff and it was likely that local decision making would be severed. Officers felt that it was illogical to make changes when the present arrangements were working well. There was also a concern that restructuring might unsettle the membership, causing staff to transfer out of the Fund or make alternative pension arrangements.
- 6.3 There followed a discussion and a number of points were raised including: concerns at the start-up costs of merging funds; lack of clarity as to what the savings would be and the benefit to members; there was also evidence, from England and Wales, which showed that full merger of funds was not working. It was also felt that the consultation document supported Option 4. It was noted that COSLA supported Option 1 or Option 2, and that the preference from the other Scottish Funds, apart from Lothian, was for Options 1 or 2. In response to a question regarding fee transparency, Mr Robertson explained that all investment managers in the Scottish Borders Pension Fund had signed up to the Fee Transparency Code.
- 6.4 The Pension Fund Committee and Pension Board were advised that Unison was one of the biggest drivers for Option 4 - full merger. Mrs Robb advised that she would circulate Unison's response to the consultation for information. It was also acknowledged that in the future, Options 3 and 4 could be revisited when clearer outcomes were known.
- 6.5 Mrs Robb further advised that a response to the consultation, incorporating feedback from the meeting would be circulated for comments. The next meeting of the Pension Fund Committee and Pension Board would also be brought forward in order that the final response could be submitted prior to the deadline of 7 December 2018. Following which, the Pensions Institute would collate all responses and the National Pension Scheme Advisory Board would determine the submission to Scottish Ministers.

DECISION AGREED

- (a) To request that officers prepare a response to the Consultation on the Review of the Structure of the Scottish Local Government Pension Fund and circulate for comments;**
- (b) To request that the final response to the consultation to be presented to the next meeting of the Pension Fund Committee and Pension Board;
and**
- (c) That Unison's response to the consultation be circulated for consideration.**

7. STRATEGIC INVESTMENT REVIEW

- 7.1 There had been circulated copies of a report by the Chief Financial Officer with an update on the outcome of the Strategic Investment Review, presenting recommendations for the revised asset allocation. The report explained that the Investment Strategy was key to ensuring assets continued to grow to meet the long term liabilities of the Fund and that as far as possible contribution rates from employers remained stable. A review of the current strategy has been undertaken by KPMG in consultation with officers and findings had been detailed in the Appendix, to the report.

7.2 Mr Singh, KPMG Executive Consultant, highlighted that the objective was to deliver a return that delivered full funding with as little volatility as possible to maintain stable contributions. The existing Strategy was robust, however, KPMG considered there were opportunities for the Fund to reduce its equity exposure risk further and move to more illiquid assets, which would provide an element of inflation linkage. The new suggested Strategy recommended an investment in Infrastructure Debt and Mr Singh referred to Appendix 1 of the report, which detailed the findings of the review and the proposed changes to the asset allocation. In response to a question regarding potential allocation to Diversified Growth Fund (DSG), Mr Singh advised that KPMG believed the Fund already had access to a diverse range of asset classes. With regard to alternatives for holding capital earmarked for Infrastructure Debt, he suggested various options such as remaining in equities and drawing down as required, holding in diversified credit or holding in inflation linked gilts. The Committee and Board agreed the new revised strategy and the delegation of authority required to implement the changes, noting that a reduction in equities would mean a reduction in investment managers.

DECISION

AGREED:

(a) **the revised Investment Strategy as follows:-**

Equities 40.0%
Diversified Alternatives 7.5%
Balance Property 5.0%
Long Lease Property 10.0%
Direct Lending 10.0%
Infrastructure (including Junior Infrastructure Debt) 7.5%
Index Linked Gilts 5.0%
Diversified Credit 10.0%
Infrastructure Debt (senior) 5.0%

(b) **To delegate authority to the Chief Financial Officer, in consultation with the Chair of the Pension Fund Committee and based on the advice of the Investment Advisor to implement the outcome of a review of the number of managers; and**

(c) **To delegate authority to the Chief Financial Officer, in consultation with the Chair of the Pension Fund Committee, and based on the Investment Advisor to implement the revised Investment Strategy.**

8. INFORMATION UPDATE

8.1 There had been circulated copies of a briefing paper by the Pension & Investment Manager and HR Shared Services Team Leader providing members with an update on a number of areas which were being monitored and where work was progressing. Full reports on individual actions would be tabled as decisions and actions were required. In summary:-

8.2 Guarantee Minimum Pension (GMP) Reconciliation

With reference to paragraph 14.2 of the minute of 14 June 2018, reconciliation of discrepancies continued.

8.3 The Local Government Pension Scheme (Scotland) Regulations

The new regulations had inadvertently revoked the Regulations relating to the rule of 85. Administrating authorities had been advised by the SPPA to proceed on the basis that the previous regulations were still effective.

- 8.4 **Additional Voluntary Contributions (AVC) Review**
Officers have identified a shared cost scheme for AVCs which would allow both employers and employees to gain additional savings. Further details would be included in the report to the next meeting of the Pension Fund Committee and Pension Board
- 8.5 **Actuary Procurement**
It had been agreed in the Business Plan to undertake actuary procurement. Tender documents had been issued with presentations to officers scheduled for 13 November 2018.
- 8.6 **Training Opportunities**
LCG were providing training in Edinburgh on 23 and 24 October a number of members of the Committee and Board would be attending. The Pension and Lifetime Savings Association (PLSA) investment conference would be held in Edinburgh from 6-9 March 2019.

DECISION

NOTED the information update.

9. **STATEMENT OF RESPONSIBLE INVESTMENT/ESG POLICY**

- 9.1 There had been circulated a report by Chief Financial Officer to aid the Pension Fund Committee and Pension Board in its discussion around responsible investment. The report explained that following the Pension Fund Committee and Pension Board's review of Environmental, Social and Governance (ESG) matters, it had been agreed that a separate Statement of Responsible Investment would fulfil ESG responsibilities appropriately. The document attached in Appendix 1 to the report, was a draft of a Statement of Responsible Investment for the Pension Fund Committee and Pension Board's consideration.
- 9.2 In response to questions, Mr Robertson clarified that there were no investment restrictions placed on Investment Managers with regard to ESG responsibilities. However, they had all been encouraged to take account of ESG when making investment choices. Fund managers were also encouraged to engage with companies to ensure ESG policies always complied with acceptable standards and fully exercised their voting rights at company meetings. The Pension Fund Committee and Pension Board requested that signing up to the United Nations Principles Responsible Investment (UNPRI) Stewardship Code, should be a requirement in any future procurement exercise and that this be included in the Statement of Responsible Investment document.

DECISION

AGREED that the final Statement of Responsible Investment for the Scottish Borders Pension Fund be brought to the next meeting for approval.

10. **ITEMS LIKELY TO BE TAKEN IN PRIVATE**

AGREED under Section 50A(4) of the Local Government (Scotland) Act 1973 to exclude the public from the meeting during consideration of the business contained in the following items on the ground that they involved the likely disclosure of exempt information as defined in paragraphs 6 and 8 of the part 1 of Schedule 7A to the Act.

SUMMARY OF PRIVATE BUSINESS

11. **MINUTE**

The Committee noted the Private Minute of the meeting of 14 June 2018

12. **PENSION FUND INVESTMENT PERFORMANCE SUB-COMMITTEE**
The Committee noted and agreed the Private Minute of the Pension Fund Investment and Performance Sub Committee on 22 August 2018.
13. **QUARTER PERFORMANCE UPDATE**
The Committee considered a Private report by KPMG.

The meeting concluded at 12.25 pm

**SCOTTISH BORDERS COUNCIL
PENSION FUND INVESTMENT AND PERFORMANCE SUB-COMMITTEE**

MINUTES of Meeting of the PENSION FUND INVESTMENT AND PERFORMANCE SUB-COMMITTEE held in BlackRock Meeting Room, Exchange Place One, 1 Semple Street, Edinburgh EH3 8B on Monday, 29 October 2018 at 12.40 pm

Present:- Councillors D Parker (Chairman), G Edgar, C Hamilton, D Moffat, S Mountford, S Scott.
Apologies:- Councillor J Brown, Ms K M Hughes.
In Attendance:- Chief Financial Officer, Pension & Investments Manager, Mr D O'Hara, Investment Advisor (KPMG) and Democratic Services Officer (J Turnbull).

1. **MINUTE**
The Committee noted the Minute of the meeting of 22 August 2018.
2. **ITEMS LIKELY TO BE TAKEN IN PRIVATE**
AGREED under Section 50A(4) of the Local Government (Scotland) Act 1973 to exclude the public from the meeting during consideration of the business contained in the following items on the grounds that they involved the likely disclosure of exempt information as defined in paragraphs 6 and 8 of part 1 of Schedule 7A to the Act.

SUMMARY OF PRIVATE BUSINESS

3. **PRIVATE MINUTE**
The Sub-Committee noted for signature the Private Minute of 22 August 2018.
4. **ENVIRONMENTAL, SOCIAL, GOVERNANCE OPPORTUNITY**
The Committee received a briefing by KPMG.
5. **PERFORMANCE UPDATE AND ASSET STRATEGY**
The Committee noted and discussed a briefing paper by KPMG.
6. **PRESENTATION - M & G INVESTMENTS**
The Committee noted the presentation by M & G Investments.
7. **PRESENTATION - UBS**
The Committee noted the presentation by UBS.
8. **PRESENTATION - BLACKROCK UK LONG LEASE PROPERTY FUND**
The Committee noted the presentation by Blackrock UK Long Lease Property Fund.

The meeting concluded at 5.00 pm

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REVIEW OF ADDITIONAL VOLUNTARY CONTRIBUTION (AVC) PROVISION

Report by Chief Financial Officer

JOINT MEETING OF PENSION FUND COMMITTEE AND PENSION BOARD

30 November 2018

1 PURPOSE AND SUMMARY

- 1.1 The purpose of this report is to provide members with the outcome of the review under taken of the AVC provision currently provided by the Fund.**
- 1.2 The Pension Fund under the Social Security Act 1986 is required to ensure that a person can, if desired, pay additional voluntary contributions to their pension. The Fund currently has arrangements in place with Standard Life for an AVC Scheme to allow individuals to increase their pensions. The number of employees currently active in scheme however is low.
- 1.3 The Business Plan approved on 14 June 2018 highlighted the need to undertake a full review of the current provision and to ensure it meets the requirements of the fund and relevant legislation. The review was undertaken by KPMG on behalf of the Fund. The findings of the review are contained in Appendix 1.
- 1.4 The review found Standard Life to be a relatively strong provider in the AVC market but highlighted a number of steps which could improve the current provision. The main areas of improvement were around communication and promotion of the scheme and also the monitoring of the performance of the products offered by Standard Life under the AVC scheme.
- 1.5 To address the areas of improvement para 4.2 details the actions which will be undertaken. These actions will also be included in the 2019/20 – 2022/23 Business Plan.

2 RECOMMENDATIONS

- 2.1 **It is recommend that the Pension Fund Committee and Board:-**
 - (a) Notes the outcome of the review undertaken by KPMG contained in Appendix 1; and**
 - (b) Notes the actions detailed in para 4.3**

3 BACKGROUND

- 3.1 The Pension Fund under the Social Security Act 1986 is required to ensure that a person can, where desired, pay additional voluntary contributions to their pension. However under the LGPS regulations the rate is determined under the regulations not by the individual. To allow an individual to increase their pension contributions the Administrating Authorities is required to engage a provider for AVC provision.
- 3.2 The AVC provision is a Defined Contribution (DC) scheme and is subject to the Pension Regulators, DC Code of Practice. This code applies to AVC's within occupational Defined Benefit (DB) schemes such as the LGPS and was last updated in July 2016.
- 3.3 Scottish Borders Council Pension fund currently has arrangements in place with Standard Life to provide access to AVC funds. Standard Life currently offers approximately 300 investments products of which members of the fund; there are currently c300 funds of members are currently invested in 12. The choice of fund is the decision of an the individual member. There are currently 42 members with active AVC's (0.9% of active members).

4 REVIEW OF STANDARD LIFE

- 4.1 Following concerns raised about the level of engagement and promotion of the current AVC's provision, KPMG was engaged to undertake a review of the current service provided by Standard Life and to check the Pension Fund was fulfilling its governance responsibilities under the code.
- 4.2 The full report provided by KPMG is contained in Appendix 1. The main findings are as follows:-
 - Standard Life is viewed as a relatively strong provider in the DC marketplace.
 - There are a good range of investment options open for members to choose from.
 - The Pension Funds AVC arrangements are consistent with the requirements of the Pension Fund Regulators DC Code of Practice.
 - The level of information and promotion provided by Standard Life is however limited.
- 4.3 The report also recommends a number of next steps to improve the current provision. The key actions required are shown below. The actions recommended recognise that it is not the Administering Authority's place to give individual financial advice but to ensure individuals have access to information to allow them to make an informed decision.
 - Work with AVC provider to improve communication and promotion of AVC provision.
 - Implement a triennial review of the AVC provider, to include performance, communication & T&C's
 - Review the Statement of Investment Principles to include AVC provision
 - Specific risk associated with AVC's should be added to the risk register
 - Inclusion of AVC knowledge included in 2019/20 training plan

- 4.4 The actions detailed above will be incorporated into the Business Plan for 2019/20 to 2022/23.
- 4.5 The Scottish Borders Council as an employer is currently considering implementing a Shared Cost (salary sacrifice scheme for AVC's) which will allow both employees and employers to make NI savings on AVC contributions. The Standard Life product offered by the Pension Fund could be converted into such a Shared Cost scheme with minimal administration.
- 4.6 If Scottish Borders Council does implement a Shared Cost scheme the provider operating the scheme will work with Standard Life on the communication and promotion of the scheme. The implementation of such an arrangement in other local authorities has resulted in a significant increased uptake up of the scheme by over 100%.

5 IMPLICATIONS

5.1 Financial

There are no direct financial consequences from this report.

5.2 Risk and Mitigations

- (a) The Fund is required to ensure it meets its legislative requirements in the provision an AVC scheme. This report reviews the current scheme against the requirements and ensuring the risk is mitigated.
- (b) The Fund has an ongoing requirement to monitor the provision of the provider. The implementation of a triennial review process will ensure the Fund continues to meet these requirements.

5.3 Equalities

An Equalities Impact Assessment has been carried out on this proposal and it is anticipated that there are no adverse equality implications.

5.4 Acting Sustainably

There are no direct economic, social or environmental issues with this reports which would affect the Council's sustainability.

5.5 Carbon Management

There are no direct carbon emissions impacts as a result of this report.

5.6 Rural Proofing

It is anticipated there will be no adverse impact on the rural area from the proposals contained in this report.

5.7 Changes to Scheme of Administration or Scheme of Delegation

No changes are required as a result of this report.

6 CONSULTATION

- 6.1 The Monitoring Officer, the Chief Legal Officer, the Chief Officer Audit and Risk, the Chief Officer HR and the Clerk to the Council have been consulted and any comments have been incorporated into the report.

Approved by

David Robertson
Chief Financial Officer

Signature

Author(s)

Name	Designation and Contact Number
Kirsty Robb	Pensions & Investment Manager, 01835 825249

Background Papers: Pension Fund Business Plan 2018/19 to 2020/21

Previous Minute Reference: Joint meeting Pension Fund Committee and Pension Fund Board, 14 June 2018

Note – You can get this document on tape, in Braille, large print and various computer formats by contacting the address below. The Pensions & Investment Team can also give information on other language translations as well as providing additional copies.

Contact us at Pensions & Investments Team, Council Headquarters, Newtown St Boswells, Melrose, TD6 PSA
Tel: 01835 825249
email: t&cteam@scotborders .gov.uk



The Scottish Borders Council Pension Fund

Review of AVC arrangements

July 2018

Objectives and background

The contacts at KPMG in connection with this report are:

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Investment Advisory
KPMG LLP (UK)

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Jennifer Shaw
Senior Consultant and
Actuary

KPMG LLP (UK)

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Objective

- This report is addressed to the Scottish Border Council (“the Council”) as the administering authority of the Scottish Border Council Pension Fund (“the Fund”). The Council has requested that KPMG conduct a high level review of their additional voluntary contribution (‘AVC’) arrangements made available to Fund members.
- The Council requested that KPMG LLP (“KPMG”) provide advice on a review in line with the new DC Code of Practice (the “Code”) and governance requirements that apply to the Council. The Council specifically requested that this review be high level and form a proportionate approach in line with the Code.
- KPMG is providing advisory services to the Council and this report should not be relied upon by any other entities, organisations or persons other than the Council.

Limitations

- This report is addressed to the Council. Whilst other parties may be provided with the report, it should not be relied upon by any other person or organisation. Any person or organisation other than the Council who chooses to rely on this report does so at their own risk. To the fullest extent permitted by law, KPMG accept no responsibility or liability to that party or organisation in connection with this report.
- The work carried out for this exercise falls outside the scope of the Technical Actuarial Standards issued by the Financial Reporting Council.

Limitations (cont.)

- In producing this report we have relied upon the following information:
 - Information requested from Standard Life Aberdeen plc (“Standard Life”).
 - Publically available information (e.g. fund factsheets)
 - KPMG’s independent view of the DC market

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Executive summary

<p>Background</p>	<ul style="list-style-type: none"> Members of the Fund hold AVCs in a separate arrangement with Standard Life. Whilst the Fund is a Defined Benefit pension scheme, the AVCs are Defined Contribution (DC) benefits. This report considers these policies in more detail along with the implications of the Pensions Regulator's DC Code of Practice. The Council need to consider a proportionate approach to monitoring its AVC investments. Taking a view on the importance of these benefits compared to a member's overall benefits in the Fund will help with this.
<p>AVC arrangements</p>	<ul style="list-style-type: none"> The Funds AVCs arrangements are provided by Standard Life and both new and existing members can choose to make AVCs. Standard Life is considered a strong provider in the defined contribution market and offers a range of investment options for members to choose from. The Fund has 55 active members currently contributing and 71 deferred members. These members are invested in 12 funds with a total value of £1.1m, split between unit-linked funds (c.£0.95m) and with profits funds (c.£0.15m). Members have access to Standard Life's full range of funds (c.300 funds). Standard Life fund management charges are set for each individual fund. For the funds members are invested in, charges are between 1.007% - 1.036% for unit linked funds and 1.150% - 1.750% for with profits funds before the agreed fund charge rebate. Members receive a fund charge rebate of 0.375%. The with profits funds receive an annual return which is a combination of a guaranteed return and a bonus return deemed appropriate by the Standard Life. The bonus growth rate and total growth rate for three of the four with profits funds that members invest in have shown an increase from 0.50% in the prior year to 0.75% in the current year. There has been no change for one fund. For the unit linked funds in which member invest, over the five year period analysed, four of the funds have outperformed their respective benchmarks and three have underperformed. Based on KPMG's market experience, Standard Life are viewed as a relatively strong provider in the DC marketplace and we do not have any major concerns with their AVC offering.
<p>DC Code of Practice</p>	<ul style="list-style-type: none"> The Pensions Regulator released a revised DC Code of Practice in July 2016. The DC Code cross references other codes of practice produced by the Pensions Regulator, in addition to a number of pieces of pensions legislation. Subject to our comments on possible next steps, we believe that the Funds AVC arrangements are consistent with the DC Code of Practice and that no major revisions are required.
<p>Next steps</p>	<ul style="list-style-type: none"> In terms of existing AVC investments, the current arrangement does not appear unreasonable. However, we have outlined below some considerations and recommendations of potential next steps. We recommend that the Council liaise with Standard Life in order to discuss how Standard Life can further support both existing and potential AVC members, providing additional information and engagement methods and communicating key information such as current investment choices, associated performance statistics and charges information, further information on with-profit policies (if applicable) and highlighting the options available to members going forward. A number of potential actions have been flagged by our analysis against the DC Code of Practice. As a minimum, we recommend that the Council undertake the high priority actions. Please see page 18 for a summary of these.

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AVC Arrangements

AVC background

Overview

- AVCs are extra pension savings (typically on a money-purchase basis) paid by the pension scheme member to secure extra pension benefits beyond the scheme's standard pension provision.
- The Funds AVC arrangements are provided by Standard Life, and the two main types of arrangement which members have invested in are "With-profits" and "Unit-linked". These are described in more detail below.
- In practice, while members have access to the full range of Standard Life funds (c. 300 funds), they are only invested in twelve of the funds provided by Standard Life. Page 6, 7 and 8 provides further detail of the value of funds invested and their performance over the last five years against benchmark.

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With-profits funds explained

- A with-profits fund can invest in a broad range of assets (equities, property, bonds etc) but declares its returns in a different way to the value of the underlying investments.
- Investors receive an annual return which may be a combination of:
 - A guaranteed return which cannot be removed, irrespective of future investment performance.
 - A bonus return deemed appropriate by the provider. Bonuses can either be paid at retirement (terminal bonus) or during the lifetime of the policy (regular bonus).
- Providers look to provide a return each year which is "fair" between different generations of policyholders. This means returns are smoothed and can vary significantly from the returns achieved on the underlying assets. For example, payments may be 'held back' during strong market upturns and then used to increase returns during a downturn. It is therefore not possible to benchmark a with-profits fund's performance against markets in a way that would give a fair comparison.

Unit-linked funds explained

- When investing into a unit-linked fund, contributions are used to buy individual units within the fund.
- Whilst with-profits funds normally invest in a range of asset classes, a variety of unit-linked funds exist which each focus on a different asset class/region.
- Because of the extensive universe of unit-linked funds covering a range of asset classes they can and do provide an essential role in giving members appropriate investment choice.

The Scottish Borders Council Pension Fund

Fund summary and investment performance

- The first table below summarises the funds members are invested in and their investment performance over the last five years against benchmark. We would note that it is not possible for the Council to decide whether members should be invested in alternative funds. Individual investors have different characteristics such as varying risk/return profiles and different retirement needs.
- The second table below summarises the bonus rates awarded by Standard Life over the last five years. It is difficult to compare the performance of with-profit funds given the varying methods used across providers to calculate such bonuses.

Unit linked funds (based on fund factsheets made available as at 23 May 2018)

Fund Name	No. Members Invested	Total Fund Value	Total Expense Ratio	Rebate	1 Year (%)			3 Years (%)			5 Years (%)		
					Performance	Benchmark	Difference	Performance	Benchmark	Difference	Performance	Benchmark	Difference
Standard Life At Retirement (Multi Asset Univ) Pn *	11	79,783	1.0360	0.375	-2.90%	N/A	N/A	5.70%	N/A	N/A	18.50%	N/A	N/A
Standard Life Deposit and Treasury Pension Fund	17	130,629	1.0090	0.375	-0.70%	-0.30%	-0.40%	-1.90%	-0.70%	-1.20%	-2.90%	-1.00%	-1.90%
Standard Life Ethical Pension Fund	9	26,217	1.0100	0.375	6.40%	1.00%	5.40%	21.70%	15.30%	6.40%	46.30%	34.60%	11.70%
Standard Life Managed Pension Fund	57	394,356	1.0230	0.375	0.80%	1.00%	-0.20%	14.70%	15.30%	-0.60%	36.10%	34.60%	1.50%
Standard Life Money Market Pension Fund	31	146,254	1.0090	0.375	-0.50%	0.10%	-0.60%	-1.00%	0.50%	-1.50%	-1.50%	0.30%	-1.80%
Standard Life Multi Asset Mgd (20-60% Shares) Pn	21	159,210	1.0190	0.375	0.30%	0.00%	0.30%	11.70%	10.20%	1.50%	28.40%	23.90%	4.50%
Standard Life Stock Exchange Pension Fund	1	606	1.0260	0.375	1.00%	1.90%	-0.90%	19.30%	18.90%	0.40%	51.00%	42.30%	8.70%
Standard Life UK Equity Pension Fund	6	17,030	1.0070	0.375	-0.40%	1.30%	-1.70%	14.00%	14.90%	-0.90%	33.30%	38.00%	-4.70%

*Performance benchmarks are not given for the Standard Life At Retirement (Multi Asset Univ) Pn fund. This fund is designed for individuals who have not yet decided what to do with their retirement income or those who intend to make use of flexible income (also known as drawdown).

With-profits funds (based on fund factsheets made available as at 23 May 2018)

Fund Name	No. Members Invested	Total Fund Value	Total Expense Ratio	Rebate	01/02/2018 until further notice			01/02/17 to 31/01/18		
					Guranteed Growth Rate	Bonus Growth Rate	Total Growth Rate	Guranteed Growth Rate	Bonus Growth Rate	Total Growth Rate
Pension Millennium With Profits Fund	26	61,636	1.1500	0.375	0.00%	0.75%	0.75%	0.00%	0.50%	0.50%
Pension Millennium With Profits 2006 Fund	9	16,765	1.2000	0.375	0.00%	0.75%	0.75%	0.00%	0.50%	0.50%
Pension With Profits Fund	18	76,167	1.7500	0.375	4.00%	0.00%	4.00%	4.00%	0.00%	4.00%
Pension With Profits One Fund	1	1,046	1.1500	0.375	0.00%	0.75%	0.75%	0.00%	0.50%	0.50%

Standard Life (1)

— The table below and on the following providers further commentary on Standard Life as the Fund's AVC provider.

Key issue	Considerations
Background	<ul style="list-style-type: none"> Standard Life started off as the Life Insurance Company of Scotland, founded in 1825. In 1832 the Company changed its name to the Standard Life Assurance Company. In 2017, Standard Life and Aberdeen Asset Management unveiled a £11 billion merger, the resulting company is now responsible for £660 billion of investor assets. Standard Life currently accept new business and will allow new members to contribute, at the Council's discretion.
Financial Strength	<ul style="list-style-type: none"> Standard Life Aberdeen plc: Issuer Credit Rating A / Watch Neg. from Standard & Poor's; Issuer Rating A3 / Stable from Moody's. Standard Life Assurance Limited: Financial Strength Rating A+ / Watch Neg. from Standard & Poor's; Insurance Financial Strength Rating A1 / Negative from Moody's. See Appendix for details on the ratings.
Administration	<ul style="list-style-type: none"> Standard Life aim to complete 90% of requests within 10 working days. Over the last 12 months Standard Life have completed 1 request within 5 working days, and 2 requests within 10 working days. Although a 10 working day turnaround is later than some other providers, Standard Life have completed all tasks within this timescale and therefore met their SLA. We would not expect the SLA to be a cause for concern for the Council. Standard Life produce an annual audit report on audit quality standards. Annual audit reports can be produced on request from Standard Life and are provided within 10 working days of being requested. We have attached the latest report for the Fund AVC arrangement up to 31 March 2018. Standard Life also confirmed that they do not hold the Audit and Assurance Faculty's Technical Release 01/06 report covering the design, implementation and operational effectiveness of controls. This is an administration quality assurance standard that providers are increasingly adopting this as an indicator of quality. We expect Standard Life may take steps to obtain this, but has not yet committed to do so. Standard Life did however, provide a 'Pension Controls' document to confirm that their pensions administration is carried out in accordance with scheme rules, the requirements of the law and good standards of governance and internal control.
Data/ information security and business continuity	<ul style="list-style-type: none"> We have not been provided with any information on Standard Life's policies in regards to these operational aspects of their proposition. The Council may wish to seek further information on this from Standard Life. The Council should consider all their Providers as part of their General Data Protection Regulation and data review mapping exercises and therefore this may already have been provided.
Communications	<ul style="list-style-type: none"> Standard Life provide members with annual statements. Standard Life have confirmed that due to GDPR they cannot share copies with us. However, we would expect these to show current fund values as a minimum. The Fund also provides other information on request to members regarding their AVC options. We have not had sight of these communications, however, we would be happy to review these as required.

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Standard Life (2)

Key issue	Considerations
Investment options	<ul style="list-style-type: none"> ▪ There are no restrictions on the funds that members can invest in. This gives members access to c.300 funds provided by Standard Life. In practice members have only made use of a small selection of these, investing in 12 funds. ▪ There are currently 126 members accessing these funds, and the majority of members invest across more than one fund with a total of 207 separate contributions between the 12 funds. ▪ Some consideration should be given to whether the funds invested by members are appropriate. This could be done through a communications with members to ensure that they understand what options they have at retirement, and the investment options they have available.
Investment performance	<ul style="list-style-type: none"> ▪ <u>With Profit Funds</u> <ul style="list-style-type: none"> ▪ Invest in a wide range of assets including equities, property, bonds and cash desposits. It is expected that over a long term, equities and property will produce higher return but will be variable in a short term. For bonds and cash, the return are expected to be more stable but will be lower over the long term. ▪ The bonus growth rate and total growth rate for the Pension Millennium With Profits Fund, Pension Millennium With Profits 2006 Fund and the Pension with Profits One Fund have shown an increase from 0.50% in the prior year to 0.75% in the current year. ▪ The Pension with Profits Fund has shown no change between the prior year and current year. It has stayed at 4.00% for both the guaranteed growth rate and total growth rate. ▪ <u>Unit - Linked Funds</u> <ul style="list-style-type: none"> ▪ On a 1 year cumulative performance basis, 2 of the funds have outperformed their respective benchmark figures, 4 have slightly underperformed and 1 has underperformed. ▪ On a 3 year cumulative performance basis, 3 of the funds have outperformed their respective benchmark figures, 2 have slightly underperformed and 2 have underperformed. ▪ On a 5 year cumulative performance basis, 4 of the funds have outperformed their respective benchmark figures and 3 have slightly underperformed.
Fees	<ul style="list-style-type: none"> ▪ The funds in which members are invested have the following fund charges: <ul style="list-style-type: none"> ▪ For the unit-linked funds, the fund charges range from 1.007% - 1.036%. ▪ For the with-profits funds, the fund charges range from 1.150% - 1.75%. ▪ The Council should also note that a Market Value Reduction (MVR) may apply on voluntary exit from the With-Profits funds unless benefits are accessed at retirement or on death. ▪ Members receive a fund charge rebate of 0.375% on these charges. The overall charges incurred by members do not appear out of line with other AVC investments although these are generally higher than the wider DC market.
At retirement options	<ul style="list-style-type: none"> ▪ Members have the choice at retirement to use their AVC fund to fund all or part of their tax free cash lump sum or to access the full range of flexible retirement options. ▪ To access the flexible retirement options (e.g. annuity, drawdown etc.), members must do this outside of the Fund, either through Standard Life, or with another provider.

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DC Code of Practice

DC Code of Practice and AVCs (1)

Introduction

The Pensions Regulator released a revised DC Code of Practice in July 2016. The DC Code cross references other codes of practice produced by the Pensions Regulator, in addition to a number of pieces of pensions legislation. The Code is divided into 6 sections:

- The trustee board
- Plan management skills
- Administration
- Investment governance
- Value for members
- Communicating and reporting

Whilst the Code itself is not a statement of the law and there is no direct penalty for not complying with it, clearly the legal elements underpinning the DC Code must be complied with. The DC Code is primarily aimed at trustees of trust-based DC pension schemes. With regard to its application for AVCs, the Regulator says that trustees should:

...consider the risks to members in the context of the significance of the value of AVCs relative to members' overall benefits in the scheme, and where the law applies to AVCs, apply a proportionate approach to meeting the relevant standards in our DC code."

In light of this, the Council need to consider what represents a proportionate approach for the Fund.

In this Section we consider the elements within each of the 6 areas covered by the Code, interpret their relevance with regard to AVC arrangements and propose actions for the Council to take where relevant – the Council can then consider what should form part of their approach to complying with the Code.

DC Code of Practice and AVCs (2)

1. Trustee Board			
Aspect of Code	Interpretation for AVCs	Proposed action	Priority
Trustees are fit and proper persons	Assumed already comply with as part of being a well run scheme as these are existing legal requirements	None	N/A
Requirement to appoint a Chair			
Appointment of member nominated trustees			

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DC Code of Practice and AVCs (3)

2. Plan Management			
Aspect of Code	Interpretation for AVCs	Proposed action	Priority
Operate adequate internal controls to manage risk	Risks relating to AVC arrangements are recognised in risk register and mitigating action taken where required.	Check that AVCs are incorporated in the risk register Check that internal controls ensure for oversight of the AVC plan and actions (e.g. review of provider and investment performance every 2/3 years fro example).	Moderate
Trustee Knowledge and understanding	Ensure trustees understand key aspects of AVC provision e.g. impact of charges, nature of with-profits funds, ways that members can use DC benefits at retirement	High level review also provides high level education on key aspects Short session on AVC's could be provided if required	Moderate
Be familiar with and understand impact of terms and conditions of service providers	Understand services delivered by AVC provider and charges incurred for this	Perform regular review of existing Provider and request update on terms	High
Working effectively with the employer	Little relevance specific to provision of AVC benefits	None. We would expect that the existing practice of the Fund should suffice.	N/A
Conflicts of interest			

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DC Code of Practice and AVCs (4)

3. Administration			
Aspect of Code	Interpretation for AVCs	Proposed action and explanation	Priority
Monitoring administration providers	Administration in relation to AVCs is indirectly monitored through the existing stewardship reports from scheme administrators as transactions where the administration team need to engage with the provider are caught by the existing report.	Ensure Fund stewardship reports provide necessary information. Request specific Management Information report from Standard Life which reflects all transactional information for the plan.	Low
Core financial transactions are processed promptly and accurately	Transactions are likely to relate to either retirements, transfers out and AVC investment changes (although changes to investments are rare).	As per above, check core transactions within the management information report for consistencies	Low

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DC Code of Practice and AVCs (5)

4. Investment governance			
Aspect of Code	Interpretation for AVCs	Proposed action	Priority
Maintain Statement of Investment Principles	Ensure SIP fully reflects existing AVC arrangements	Check that statement of investment principles does accurately reflect the investment options of the AVC arrangement(s)	High
Consider interests of members when setting investment strategies	Ensure any lifestyle strategies that form part of the AVC arrangement remain appropriate and that members can access a range of investments that is likely to enable members to satisfy their risk-return preferences.	Check that members are aware of at retirement and investment options	Moderate
Reviewing investment performance	Ensure funds being used by members continue to perform in line with objectives	<p>Page 6 & 7 shows a high level summary of recent performance of funds currently elected by members.</p> <p>Regular monitoring of investment performance should be undertaken (e.g. every 2/3 years). Consideration by the Council on whether this needs to be for all funds, or the funds elected by members only</p>	High
Regularly engage with members around the date they may wish to take their benefits and how they would prefer to take them	Members need to understand the retirement options specific to their AVC savings and how this interacts with their DB provision under the Fund.	<p>Thorough review of all communications issued to member of the Fund and those who have AVC plans and work with Standard Life to improve engagement</p> <p>Trustees could consider issuing their own AVC specific communications to those who currently invest in AVCs explaining options and charges.</p>	Moderate
Understand security of assets and communicate position to members	Understand position on failure of an AVC provider and scope of coverage by Financial Services Compensation Scheme.	<p>Consider the extent of FSCS protection under existing arrangement(s) and an appropriate approach to communicating this to members.</p> <p>Write to Standard Life to ask them to set out the position for their arrangements.</p>	Moderate

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DC Code of Practice and AVCs (6)

5. Value for members			
Aspect of Code	Interpretation for AVCs	Proposed action	Priority
Assessing value for members	<p>The key aspect of value for AVC arrangements is whether the investment performance offered is sufficient to justify the costs incurred by members. Second to this would be the support offered by the provider in making decisions at retirement in relation to how to use their DC benefits.</p> <p>Considering the size of AVC investments it may not be appropriate to undertake a formal value for members assessment, however, value should be considered when undertaking ongoing monitoring of AVCs.</p>	When undertaking any Value for Member assessment, ensure value of the AVC plan is considered as part of this (approach should be proportionate)	Moderate
Restrictions on costs and charges	Charge cap does not apply, but does provide a useful benchmark as part of considering value outlined above.	None	N/A

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DC Code of Practice and AVCs (7)

6. Communicating and reporting			
Aspect of Code	Interpretation for AVCs	Proposed action	Priority
Communicating options at retirement, including risk warnings	Requirement to signpost members to Pension Wise in communications in relation to taking their AVC benefits.	Review of communications issued to members both by Council and administrator to ensure capture of regulatory requirements.	Moderate
Pension scams	Ensure administration process checks that any partial transfer out of AVCs is going to a registered scheme.	Review of internal procedures within the administration service provided.	Low
Chair's Statement	Not required where a scheme only DC provision is in the form of AVC benefits.	None.	N/A
Scheme Return	Existing process in place.		
Statement of Investment Principles	Already covered under 'investment governance' above.		

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Next Steps

Next steps

We have identified a number of potential actions that could be undertaken by the Council to improve communications surrounding the Fund's AVC arrangement and to ensure the requirements of the DC Code of Practice are being met. Further details are set out below:

1. Liaise with Standard Life

- We recommend that the Council liaise with Standard Life in order to discuss how Standard Life can further support both existing and potential AVC members, providing additional information and engagement methods and communicating key information such as current investment choices, associated performance statistics and charges information, further information on with-profit policies (if applicable) and highlighting the options available to members going forward.

2. Communications

- If Standard Life are unable to provide any additional support, the Trustee may consider communicating with members directly to advise them of their current investments, associated performance statistics and charges information, highlighting the options available to members going forward.
- We would also recommend that this communication includes further information on with-profit policies (if applicable), informing members of their options in relation to these investments and highlighting the associated risks of making any changes.

DC Code of Practice

- A number of potential actions have been flagged by our analysis against the DC Code of Practice. However, some of this overlaps and can be picked up by a single action (e.g. liaising with Standard Life on engagement methods and carrying out regular reviews of the AVC arrangements). We summarise the proposed actions and priority levels overleaf. As a minimum, we recommend that the Council undertake the high priority actions.

4. Review of provider

- Ultimately, the Council could look to review the existing AVC provider, move to an alternative provider and transfer all existing assets from the current arrangement.
- This would incur additional costs and based on our experience in the market, the costs associated with such an exercise often outweigh the benefits.
- The majority of AVC providers in the market have drawbacks and overall Standard Life are not an unfit for purpose provider.
- There is also the potential for a Market Value Adjustment (MVA) to be applied to members' funds when transferring a with-profit investment. The potential impact on members funds is unique to each individual member's circumstance. It is therefore not possible to know this in advance and this is therefore another consideration when thinking about setting up with an alternative provider and transferring existing funds. There may also be special policy features that cannot be replicated under an alternative arrangement.
- We would be happy to look into this further if this is something the Council wish to explore.

Next steps

Priority	Category	Area	Action
High	Plan Management	Be familiar with and understand impact of terms and conditions of service providers	Perform regular review of existing Provider and request update on terms
High	Investment Governance	Maintain Statement of Investment Principles	Check that statement of investment principles does accurately reflect the investment options of the AVC arrangement
High	Investment Governance	Reviewing investment performance	Regular monitoring of investment performance should be undertaken (e.g. every 2/3 years).
Moderate	Plan Management	Operate adequate internal controls to manage risk	Check that AVCs are incorporated in the risk register. Check that internal controls ensure for oversight of the AVC plan and actions (e.g. review of provider and investment performance every 2/3 years for example).
Moderate	Plan Management	Trustee Knowledge and understanding	High level review also provides high level education on key aspects. Short session on AVC's could be provided if required.
Moderate	Investment Governance	Consider interests of members when setting investment strategies	Check that members are aware of at retirement and investment options.
Moderate	Investment Governance	Regularly engage with members around the date they may wish to take their benefits and how they would prefer to take them	Thorough review of all communications issued to member of the Fund and those who have AVC plans and work with Standard Life to improve engagement. Trustees could consider issuing their own AVC specific communications to those who currently invest in AVCs explaining options and charges.
Moderate	Investment Governance	Understand security of assets and communicate position to members	Consider the extent of FSCS protection under existing arrangement(s) and an appropriate approach to communicating this to members. Write to Standard Life to ask them to set out the position for their arrangements.
Moderate	Value for Members	Assessing value for members	When undertaking any Value for Member assessment, ensure value of the AVC plan is considered as part of this (approach should be proportionate)
Moderate	Communicating and Reporting	Communicating options at retirement, including risk warnings	Review of communications issued to members both by Council and administrator to ensure capture of regulatory requirements.
Low	Administration	Monitoring administration providers	Ensure Fund stewardship reports provide necessary information. Request specific Management Information report from Standard Life which reflects all transactional information for the plan.
Low	Administration	Core financial transactions are processed promptly and accurately	Check core transactions within the management information report for consistencies.
Low	Communicating and Reporting	Pension scams	Review of internal procedures within the administration service provided.

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Appendices

Appendix 1: Issues concerning With-Profit Funds

General views relating to With-Profits funds

- **Returns** - In recent years, guaranteed and bonus returns have fallen significantly from historical levels, partly due to increased reserve requirements from new financial regulation and partly due to lower expected returns from some assets. Overall when applied the effect of smoothing results in members seeing less volatility in investment returns.
- **Lack of transparency** – The underlying returns and charges are not transparent and can lead to uncertainties over whether members have received a fair return that reflects market performance. There is little direct link between investment returns achieved by the fund and bonuses declared.
- **Cost of guarantees** – Many with-profits policies contain a guarantee that no reductions in fund values will apply when the benefits are taken on a contractual date (e.g. the normal retirement date under the main scheme). This guarantee often comes at a disproportionate cost.
- **Investor misunderstandings** – Many investors believe their investments are low-risk and will not fall in value, which is not always the case. The bonuses declared are not directly linked to the investment returns achieved. Discretion is exercised by the provider when distributing the bonuses that determine payouts and members may not understand the relationship between: investment returns, fund values and what they may ultimately receive.
- **Market Value Reduction (MVR)** - There is the potential for a Market Value Reduction (MVR) or a Final Bonus to be applied to members' funds when transferring a with-profit investment from one of these providers. The potential reductions or enhancements to funds are unique to each individual member's circumstance. It is therefore not possible to consider whether it is beneficial for members to transfer without considering the individual transfer values.

Our view

- These issues mean that with-profits policies have become much less popular with investors and are rarely made available under new arrangements.
- They also complicate the review of arrangements and increase associated costs, which can outweigh any benefits of potential for restructuring.
- Despite our concern around with profits policies in general, the difficulties associated with removing these funds (and the related costs of doing so) should be considered within a review of these arrangements.
- Any guarantees included in the terms of with profits funds should be carefully considered as part of any review.

Appendix 2: Financial Strength

The Standard and Poor's definitions are:

- AAA: An insurer rated 'AAA' has an EXTREMELY STRONG capacity to meet its financial commitments. 'AAA' is the highest credit rating granted by Standard and Poor's
- AA: An insurer rated 'AA' has a VERY STRONG capacity to meet its financial commitments and differs from the highest-rated insurers only in small degree.
- A: An insurer rated 'A' has a STRONG capacity to meet financial commitments but is somewhat more susceptible to adverse economic conditions than higher-rated categories.

The Moody's definitions are:

- Aaa: Insurance companies rated Aaa offer exceptional financial security. While the financial strength of these companies is likely to change, such changes as can be visualised are most unlikely to impair their fundamentally strong position
- Aa: Insurance companies rated Aa offer exceptional financial security. Together with the Aaa group, they constitute what are generally known as high-grade companies. They are rated lower than Aaa companies because long-term risks appear somewhat larger. Within this category, a further numerical ranking is provided with Aa1 being at the top of the scale in terms of financial security
- A: Insurance companies rated A offer good financial security. However, elements may be present which suggest a susceptibility to impairment sometime in the future
- Baa: Insurance companies rated Baa offer adequate financial security. However, certain protective elements may be lacking or may be characteristically unreliable over any great length of time
- Ba: Insurance companies rated Ba offer questionable financial security. Often the ability of these companies to meet policyholder obligations may be very moderate and thereby not well safeguarded in the future
- B: Insurance companies rated B offer poor financial security. Assurance of punctual payment of policyholder obligations over any long period of time is small

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RISK REGISTER UPDATE

Report by Chief Financial Officer

JOINT MEETING OF PENSION FUND COMMITTEE AND PENSION BOARD

30 November 2018

1 PURPOSE AND SUMMARY

- 1.1 **This report forms part of the risk review requirements and provides the Members of the Pension Fund Committee and Pension Board with an update of the progress of the actions taken by management to mitigate these risks, a review of any new risks and highlights changes to any of the risks contained in the risk register.**
- 1.2 Identifying and managing risk is a corner stone of effective management and is required under the Council's Risk Management Policy and process guide and CIPFA's guidance "Delivering Governance in Local Government Framework 2007". It is further reflected and enhanced in the "Local Government Pension Scheme" published by CIPFA.
- 1.3 A full risk review was undertaken on 1 May 2018 and the revised risk register was approved by the Joint Pension Fund Committee and Pension Fund Board on 14 June 2018 with an update of the actions undertaken on 13 September.
- 1.4 Appendix 1 details the risks within the approved risk register which have been identified management, actions and the progress of these actions to date.

2 RECOMMENDATIONS

- 2.1 **It is recommended that the Committee and Board:**
 - (a) **Note the management actions progress as contained in Appendix 1;**
 - (b) **Notes no new quantifiable risks have been identified since the last review; and**
 - (c) **Agrees to a key risk review being undertaken in March 2019 and reporting of progress on the risk management actions.**

3 BACKGROUND

- 3.1 Identifying and managing risk is a corner stone of effective management and is required under the CIPFA guidance "Delivering Governance in Local Government Framework 2007". It is further reflected and enhanced in the "Local Government Pension Scheme" published by CIPFA.
- 3.2 The Risk Register has been developed in line with the Council's approach to risk management as set out in the "Risk Management process guide" and assesses risks using a risk score based on likelihood and impact. It has been further refined to reflect best practice "Managing Risk in the Local Government Pension Scheme" published by CIPFA.
- 3.3 The Pension Fund's Business Plan 2018/19 – 2020/21 was approved on 14 June 2018, setting out the aims and objectives of the Pension Fund. These aims and objectives recognised in the formation and approval of the Pension Funds risk register.
- 3.4 The Council's revised Risk Management process guide uses the following risk scoring:

Level of risk	Risk score
RED	High – Risk Score Range 15-25
AMBER	Medium – Risk Score Range 6 – 12
GREEN	Low – Risk Score Range 1 - 5

- 3.5 To comply with the Council's revised policy of risk management and best practice, a Risk Management reporting cycle was developed around the performance and business plan reporting of the Pension Fund. As a result the following cycle of reporting was adopted:

- | | |
|-------------|---|
| Quarterly | <ul style="list-style-type: none">Quarterly Investment Performance Report;Key risks, escalation of any risks that are perceived to have changed adversely and any new risks need to be considered by the Committee;Update on progress of risk management action delivery. |
| Bi-Annually | <ul style="list-style-type: none">Mid-Year Progress report on Business Plan Actions;Key risks, escalation of any risks that are perceived to have changed adversely and any new risks need to be considered by the Committee;Update on progress of risk management action delivery. |
| Annually | <ul style="list-style-type: none">Annual Governance Meeting with Annual Report and Policy/Strategy Performance Reports;Annual reporting on progress with Business Plan and approval of updated Business Plan;Annual reporting on progress with Risk Management Actions and approval of fully reviewed Risk Register including consideration of any new risks. |

4 RISK REGISTER UPDATE

- 4.1 A full risk workshop was undertaken on 1 May 2018 by Officers in order to ensure that the risk register's contents were still relevant and up-to-date. The outcome of the workshop was then considered and approved at the

Committee/Board meeting on 14 June 2018. The first update on the actions was reported to Committee/Board on 13 September.

- 4.2 The progress of the individual management actions identified in the current risk register is detailed in Appendix 1.
- 4.3 The actions required for risk 7.6 will be complete following approval of the ESG policy and future monitoring arrangements which is contained elsewhere on the agenda. The risk however of the Pension fund not fulfilling its fiduciary duties will not be mitigated by these actions sufficiently to be able to amend the score given.
- 4.4 No new risks have been identified during the period.
- 4.5 A separate report on the progress of the actions within the Business plan is also contained on the agenda.

5 IMPLICATIONS

5.1 Financial

There are no direct financial implications of this report.

5.2 Risk and Mitigations

The purpose of providing the update to the Committee and Board is to improve the risk management framework for the Pension Fund and demonstrate that the Members of the Pension Fund Committee and the Pension Board understand the risks faced and how it is proposed to manage, mitigate or tolerate these risks. The Additional Proposed Actions as contained in Appendix 1 are designed to directly enhance the management of risks.

5.3 Equalities

It is anticipated that there are no adverse impact due to race, disability, gender, age, sexual orientation or religion/belief arising from the proposals in this report.

5.4 Acting Sustainably

There are no direct economic, social or environmental issues with this report which would affect the Council's sustainability policy.

5.5 Carbon Management

There are no direct carbon emissions impacts as a result of this report.

5.6 Rural Proofing

It is anticipated there will be no adverse impact on the rural area from the proposals contained in this report.

5.7 Changes to Scheme of Administration or Scheme of Delegation

No Changes to the Scheme of Administration or Scheme of Delegation are required as a result of this report

6 CONSULTATION

- 6.1 The Monitoring Officer, the Chief Legal Officer, the Chief Officer Audit and Risk, the Service Director HR and the Clerk to the Council have been consulted and their comments have been included in the report.

Approved by

David Robertson
Chief Financial Officer

Signature

Author(s)

Name	Designation and Contact Number
Kirsty Robb	Pension & Investment Manager, 01835 825249

Background Papers:

Previous Minute Reference: Pension Fund Committee and Pension Board 13
September 2018

Note – You can get this document on tape, in Braille, large print and various computer formats by contacting the address below. The Pension & Investment Team can also give information on other language translations as well as providing additional copies.

Contact us at: Pension & Investment Team, Council Headquarters, Newtown St Boswells, Melrose, TD6 OSA Tel: 01835 825249 Fax 01835 825166. email: t&cteam@scotborders.gov.uk

Pension Fund - Full Risk Register

APPENDIX 1

No.	Category	Risk	Risk Factor/Cause	Effect/Consequences	Proximity	Risk Owner	Controls		Current Risk			Progress
							Current Controls	Control Assessment	Impact	Likelihood	Score	Actions as at 30/09/2018
1.1	Asset & Investment	Failure to achieve the target investment returns set out in the Statement of Investment Principles over the longer term may lead to significant increased employer contribution rates and costs of implementing changes to the investment strategy.	Inappropriate strategic asset allocation for Fund's requirements; Inappropriate investment approaches within asset class; Underperformance/ negative investment returns from investments under management; Significant and sustained market and economic events creating adverse movements in valuations; Investment Strategy inconsistent with Funding Strategy.	Significant rises in the employer contributions; Costs involved in implementing changes to investment strategy; Funding Deficit for Fund.	Ongoing	Pension Fund Committee/ Chief Financial Officer	Continual monitoring of investment performance; Engagement with Investment Adviser to update investment strategies and periodic review of strategic asset allocation; Scrutiny of Investment Manager performance by Investment & Performance Sub-Committee; Actuary reports included element of prudence. TREAT <u>Additional Actions Proposed:</u> Enhance officer role in monitoring of investment returns to enable more timely action to be taken. Encourage more thorough challenge of Advisers and Fund Managers.	Effective	4	3	12	Training requirements being actioned as part of Training plan to ensure have required skills and knowledge to enable challenge. Finalising performance monitoring and accounting information available from Custodian.
1.4	Asset & Investment	Failure to take expert advice or risk of poor investment/actuarial advice may lead to the Fund's assets not being properly managed resulting in inappropriate investment decisions and poor returns and/or insufficient funding levels	Committee ignores advice provided by expert adviser; External adviser provides inappropriate/inaccurate/ insufficient advice to Committee/Officers.	Wrong or inappropriate decisions resulting in inadequate investment returns and/or insufficient funding levels potentially increasing employers contribution rates.	Ongoing	Pension Fund Committee/ Chief Financial Officer	Robust procurement processes around the recruitment and appointment process; Investment Adviser in place and performance reviewed annually Benchmark performance against other LAs; Regular benchmarking and cross verification of advice with other LAs through Local Govt. Pension Scheme(Scotland) Investment & Governance Group; Other info sources and discussions with non-Fund investment managers/advisers to validate advice and performance of Fund; Pension Fund Board provides scrutiny role TREAT Ongoing training for elected members of the Pension Board and Committee	Effective	4	2	8	Training requirements being actioned as part of Training plan to ensure have required skills and knowledge to enable challenge.
1.9	Asset & Investment	Investment Strategy is inconsistent with Funding Strategy may lead to the fund not being managed properly through setting employer contribution rates incorrectly resulting in the future liabilities of the Fund not being able to be covered by its assets and requiring employers to increase contribution rates to address any funding gap.	Investment Strategy for Fund set without appropriate consideration of the requirements of the Funding Strategy	future liabilities of the Fund not being able to be covered by its assets; Employers increase contribution rates to address any funding gap.	Ongoing	Pension Fund Committee/ Chief Financial Officer	Full actuarial valuation undertaken on Triennial basis. Funding Strategy Statement and Statement of Investment Principles updated and approved at the same time. As part of this assess requirement for investment strategy to be reviewed and updated accordingly. TREAT <u>Additional Actions Proposed:</u> Undertake a full investment strategy review following 2017 valuation.	Effective	2	2	4	Revised investment strategy approved on 13 September 2018. Implementation being actioned.
2.2	Employer	Adoption of either an inappropriately slow or rapid pace of funding rates for different employers may result in improper management of the Fund and result in inappropriate employer contribution rates and a possible shortfall in assets to cover the employer's liabilities.	Failure by employer to notify the fund of significant changes of membership.	Improper management of the Fund; Inappropriate employer contribution rates and a possible shortfall in assets to cover the employer's liabilities.	Ongoing	Pension Fund Committee/ Chief Financial Officer	Full actuarial valuation undertaken on Triennial basis, 2017 valuation completed; Review Pooling arrangements at each Valuation and implement appropriate de-pooling e.g. SBHA & CGI to reflect employer situations; Annual declaration made by each Employer for forthcoming changes Ensure full reporting of options are presented to the Committee and Board when employer circumstances change to ensure decision making fully informed. TREAT Undertake next valuation for 2020	Effective	2	2	4	Tenders received and evaluated. Report to be submitted with final recommendation to Committee 30 November to ensure any changes to actuary fully embedded before valuation

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Pension Fund - Full Risk Register

APPENDIX 1

No.	Category	Risk	Risk Factor/Cause	Effect/Consequences	Proximity	Risk Owner	Controls		Current Risk			Progress
							Current Controls	Control Assessment	Impact	Likelihood	Score	Actions as at 30/09/2018
3.5	Resources & skills	Failure of Officers to maintain sufficient level of competence to discharge their duties could lead to failure to manage the Fund effectively as a result of their inability to provide appropriate decision making support and advice.	Changes in legislation; New investment types and vehicles; Lack of documented procedures.	Failure to manage the Fund effectively.	Ongoing	Chief Financial Officer/ Service Director of HR	Use of External Advisers provides additional resilience and resources; PRD process implemented to identified training and development requirements; Active participation in Scottish Investments and Governance Group (IGG) and Scottish Pensions Liaison Group; Produce notes completed Regular engagement with external Investment Managers to supplement knowledge. TREAT <u>Additional Action Proposed:</u> Improvement in quality of procedure notes for officers.	Partially Effective	2	3	6	Action plan for the development and updating of procedure notes currently being developed following implementation of Business World. A number have been completed and tested. Will continue to prioritise the remain processes for perceived high risk and possible quick wins.
4.3	Liquidity	Significant differences between Actuarial Assumptions in the Triennial Valuation Reports and reality may lead to setting Funding and Investment Strategies which may result in insufficient cashflow to fund current obligations or insufficient funding to cover future liabilities	CPI inflation; Mortality levels; Investment Returns.	Setting Funding and Investment Strategies; Insufficient cashflow to fund current obligations or insufficient funding to cover future liabilities; Increased employer contributions.	Ongoing	Chief Financial Officer	Full actuarial valuation undertaken on Triennial basis; Detailed dialogue with Actuary ahead of valuation to agree evidence based assumptions to be used; Regular information provided by Actuary on differences as they occur from assumptions. Any strain on fund incurred paid by employer at point of retirement; Regular monitoring of investment performance and where medium to long term trend in returns is identified then this will be reviewed. TREAT <u>Additional Actions Proposed</u> - undertake market testing of Actuarial services	Effective	2	3	6	Tenders received and evaluated. Report to be submitted with final recommendation to Committee 30 November.
4.6	Liquidity	Failure to manage the liquidity required for the Fund's cashflows may lead to assets being sold at unattractive times or investment opportunities missed due to unavailability of cash, resulting in an adverse impact on the valuation of the Fund's assets.	Higher than anticipated levels of retirement; Higher levels of lump sums commutation taken on retirement.	Requirement to divest investment assets at an unattractive time or missing investment opportunities which result in an adverse impact on the value of the Fund's assets	Ongoing	Capital & Investments Manager	Daily and weekly monitoring of Pension Fund's Cashflows; Estimated monthly cash shortfall identified TREAT <u>Additional Actions Proposed:</u> Improve quality of medium term cashflow forecasting for the Fund; Asset allocation review to review cash flow projections requirements;	Partially Effective	2	2	4	Dividends from Infrastructure, Private Credit and Long Lease property now being paid rather than reinvested. Currently reviewing position with UBS property and M&G to fully fund the cashflow gap.
5.4	Administrative	Failure to prevent fraud or misappropriation by scheme member, employee or scheme employer within the Fund may lead to loss of funds.	Lack of monitoring; Lack of segregation of duties.	Inability to provide a high quality pension service to members; Financial loss to the Fund; Impact on benefits paid to members.	Ongoing	HR Shared Services Manager	Robust segregation of duties and other internal controls to mitigate against this risk; Immediate action taken upon discovery of fraud; Internal & External Audit programme also picks up the monitoring of this risk. TREAT <u>Additional actions proposed</u> - to request from each External Employers audited accounts to provide assurance on their internal controls	Effective	2	2	4	Review of accounts and internal control process's completed as part of 2017/18 Annual Account process. Will be undertaken on Annual basis as part of year end accounts.

Pension Fund - Full Risk Register

APPENDIX 1

No.	Category	Risk	Risk Factor/Cause	Effect/Consequences	Proximity	Risk Owner	Controls		Current Risk			Progress
							Current Controls	Control Assessment	Impact	Likelihood	Score	Actions as at 30/09/2018
6.2	Regulatory & Compliance	Changes in legislation and other regulatory frameworks may impact adversely on the Fund in terms of funding levels and governance structures	Central Govt. legislation changes.	Loss of independence in the management of the Fund; Impact on Fund value and benefits; Increased costs to the Fund, employer contributions; Potential loss of active scheme members.	Ongoing	Chief Financial Officer/ Service Director of HR	Participation in active CIPFA and Scottish Pension network allow changes and impacts to be identified quickly; Involvement with COSLA discussions on Pensions; Monitoring and highlighting actions and decisions from scheme advisory board; TREAT <u>Additional Actions Proposed:</u> Seek to input into any of the legislative change through active membership of COSLA;	Partially Effective	4	4	16	Responding to all consultations and participating in all national groups. Chief Financial Officer active member of Director of Finance group. Monitoring Scheme Advisory Board web site on monthly basis
6.5	Regulatory & Compliance	Changes in LGPS Structures	Review by Scheme Advisory Board on LGPS structures	Fund may cease to exist, assets may be pooled, Administration could be pooled	Ongoing	Chief Financial Officer	Monitoring of political position via Scheme Advisory Board TREAT <u>Additional actions proposed</u> - Actively engage with Scheme Advisory Board and consultants undertaking review	Partially Effective	3	4	12	Preparing response to consultation and working with other Scottish LGPS funds to provide full response and workable options to consultation by deadline of 7th December 2018.
7.3	Reputation	Failure to appoint relevant advisers and review their performance may lead to inappropriate management of the Fund resulting from poor advice to decision makers	Lack of capacity of Officers to monitor.	Failure to achieve Pension Fund objectives; Inappropriate management of the Fund resulting from poor advice to decision makers; Legal challenge	Ongoing	Chief Financial Officer/ Service Director of HR	Identify requirements of external advisers and appoint appropriately. Annual review undertaken with Investment Advisor and Custodian. TREAT <u>Additional Actions proposed:</u> Implement annual review of Advisers;	Effective	2	2	4	Annual review held with Custodian on 5th October and Investment Manager on 13 November
7.6	Reputation	Pension Fund does not fulfil its fiduciary duties with appropriate regard with its ESG responsibilities	Lack of skills & knowledge Lack of information from Managers Lack of clear policy	Failure to manage the Pension Fund properly; Financial loss; Reputation damage.	Ongoing	Chief Financial Officer	Training provided to Members and Officers on their roles and fiduciary responsibility; Monitoring on quarterly basis of Segregated Portfolios voting Policy contained with Statement of Investment Principles including support for UNPRI TREAT <u>Additional Actions Proposed</u> review of ESG policy and future monitoring arrangements	Partially Effective	2	2	4	First draft presented on 13 September for discussion. Final draft being present for approval on 30 November.

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COMMUNICATION POLICY

Report by Chief Human Resources Officer

JOINT MEETING OF PENSION FUND COMMITTEE AND PENSION BOARD

30 November 2018

1 PURPOSE AND SUMMARY

- 1.1 **This report proposes the implementation of the Communication Policy for the Scottish Borders Council Pension Fund.**
- 1.2 The Pension Fund is required by the Local Government Pension Scheme (Scotland) Regulations 2018 to have an up-to-date Communication Policy, which is attached at **Appendix 1**.
- 1.3 The Communication Policy looks to embed best practice in terms of communication with all stakeholders and provide access to accurate up to date information in the most effective manner, making use of technologies wherever possible.

2 RECOMMENDATIONS

- 2.1 **It is recommended that the Communication Policy as set out in Appendix 1 is approved.**

3 BACKGROUND

- 3.1 Regulation 59 of the Local Government Pension Scheme (Scotland) Regulations 2018 advises that an administering authority should have a Communications Policy. This should then be published by the administering authority.
- 3.2 The information to be included in a Communication Policy should be as follows: -
- (a) An administering authority must prepare, maintain and publish a written statement setting out its policy concerning communications with -
- Members;
 - Representatives of members;
 - Prospective members; and
 - Scheme employers.
- (b) In particular the statement must set out its policy on -
- The provision of information and publicity about the Scheme to members, representative of members and Scheme employers;
 - The format, frequency and method of distributing such information or publicity; and
 - The promotion of the Scheme to prospective members and their employers.

4 COMMUNICATION POLICY

- 4.1 **Appendix 1** contains the Communication Policy. The policy sets out the vision of the Pension Fund communications to make pension issues understandable to all stakeholders and promote membership of the Fund.
- 4.2 The overall aims and objectives include a move towards more digital communication methods with all being continually evaluated, assessed and redesigned where necessary to ensure their continuing effectiveness. This includes the desire to move towards members self-service.
- 4.3 Communications will be accepted and provided in different formats and the details for each method are detailed in the attached Policy, some of which, i.e. payslips and P60's will continue to be delivered in traditional format. Officers will look to utilise the newly implemented Fund Website to communicate information around the Pension Fund to all stakeholders.
- 4.4 The Pensions Administration team will continue to attend Roadshows or provide presentations to specific groups on request, a minimum period of 4 weeks' notice will be required for such event preparation. Fund members can continue to request face to face or telephone discussions with the Administration Team.

5 IMPLICATIONS

5.1 Financial

There are no financial implications relating to this report.

5.2 Risk and Mitigations

This report is part of the governance framework to manage the operation of the Pension Fund and ensure compliance with the scheme regulations.

There is a risk that we may exclude groups as we look to move towards more digital communication channels, however, this is mitigated through the continuation of more traditional methods to ensure all audiences are covered.

5.3 Equalities

It is anticipated there will be no adverse impact due to race, disability, gender, age, sexual orientation or religion/belief arising from the proposals contained in this report.

5.4 Acting Sustainably

There are no direct economic, social or environmental issues with this report which could affect the Council’s sustainability.

5.5 Carbon Management

No effect on carbon emissions are anticipated from the recommendation of this report.

5.6 Rural Proofing

It is anticipated there will be no adverse impact on the rural area from the proposals contained in this report.

5.7 Changes to Scheme of Administration or Scheme of Delegation

No changes to either the Scheme of Administration or the Scheme of Delegation are required as a result of this report.

6 CONSULTATION

6.1 The Chief Financial Officer, the Monitoring Officer, the Chief Legal Officer, the Chief Officer Audit and Risk and the Clerk to the Council have been consulted in the preparation of this report and any comments received have been incorporated into the final report.

Approved by

Clair Hepburn

Service Director Human Resources

Signature

Author(s)

Name	Designation and Contact Number
Ian Angus	HR Shared Services Manager, 01835 826696

Background Papers:

Previous Minute Reference:

Note – You can get this document on tape, in Braille, large print and various computer formats by contacting the address below. Ian Angus can also give information on other language translations as well as providing additional copies.

Contact us at Ian Angus, HR Shared Services Manager, Council Headquarters, Newtown St Boswells, Melrose, TD6 0SA; Tel: 01835 826696; Fax: 01835 825011; E-mail iangus@scotborders.gov.uk.

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SCOTTISH BORDERS COUNCIL PENSION FUND COMMUNICATION POLICY

HR Shared Services
Human Resources
Version 2018 1.0 DRAFT
Approved: Joint Pension Fund Committee and Pension Board [30 November 2018]

1. Introduction

Scottish Borders Council administers the Local Government Pension Scheme (LGPS) on behalf of Employers participating in the Scheme through Scottish Borders Council Pension Fund for local government employers and associated bodies within the Scottish Borders.

Regulation 59 of the Local Government Pension Scheme (Scotland) Regulations 2018 requires the following information to be published: -

- (1) An administering authority must prepare, maintain and publish a written statement setting out its policy concerning communications with –
 - a) Members;
 - b) Representatives of members;
 - c) Prospective members; and
 - d) Scheme employers.
- (2) In particular the statement must set out its policy on –
 - a) The provision of information and publicity about the Scheme to members, representative of members and Scheme employers;
 - b) The format, frequency and method of distributing such information or publicity; and
 - c) The promotion of the Scheme to prospective members and their employers.
- (3) The statement must be revised and published by the administering authority following a material change in their policy on any of the matters referred to in paragraph 2.

2. Vision

Our vision is to provide access to all information required for anyone who has an interest in the Scottish Borders Council Pension Fund, we endeavour to make pension issues understandable to all and promote membership of the Fund.

3. Aims and Objectives

The overall aim of the communications policy is to provide communication in an efficient manner to all stakeholders, ensuring that it is: -

- Delivered in a timely efficient and effective manner
- Provides relevant content to the audience, with a clear purpose and message
- Well written, avoiding being of a technical nature wherever possible based on the differing needs of the stakeholders
- Becoming increasingly digital

The objective of this policy is to ensure that: -

- Pension regulations and the policies of the Fund are communicated in a clear and informative manner
- Benefits of the scheme are promoted to ensure this is recognised as an integral part of the employee reward package
- Information is provided in the most appropriate manner to allow scheme members to make more informed decisions relating to their pensions
- Communication methods are continually evaluated, assessed and redesigned where necessary to ensure continuing effectiveness

4. Stakeholders

Our stakeholders are: -

- Scheme members – Active, Deferred and Pensioners
- Scheme employers
- Scottish Borders Council, the scheme manager
- The Pensions Committee of Scottish Borders Council
- The Pensions Board
- Pensions administration and investment teams
- LGPS (Scotland) Scheme Advisory Board
- Scottish Public Pensions Agency
- The Pensions Regulator
- Scheme Actuary
- Scheme Auditors
- Trade Unions
- HMRC
- AVC Provider
- Other stakeholders and bodies

5. Communication Methods

Fund Website

In order to provide information to as many stakeholders as possible at a time that suits them we provide access to the following: -

- Scheme policies
- Scheme benefits
- Contact details
- Links to other useful sites

The scheme website can be found at www.scottishborderscouncilpensionfund.org

Scottish Borders Council Website

The Pension Committee and Local Pension Board agendas and minutes can be found on the main Council website, www.scotborders.gov.uk

General Communications

The fund uses both surface and e-mail to send and receive general correspondence. Our standard business hours are Monday to Thursday 8:45am to 5:00pm and Friday 8:45am to 3:45pm.

E-mail enquiries should be addressed to pensions@scotborders.gov.uk

Postal enquiries should be addressed to

Pensions Administration Team
Scottish Borders Council
Council Headquarters
Newtown St. Boswells
Melrose
Roxburghshire
TD6 0SA

Telephone enquiries should be made to the HR Shared Services helpline 01835 825052 during standard business hours.

Roadshows/Presentations

We are happy to visit employer workplaces and attend roadshows, seminars, induction and pre-retirement presentations on request, a minimum period of 4 weeks' notice will be required to allow for appropriate preparations.

Visit to our Offices

Scheme members can arrange to visit our offices to speak to a member of our Pensions Administration Team, please pre-book appointments by e-mail or telephone.

6. Specific Communications

Pensioners

On a monthly basis payslips are issued where there is a change in net pay of more than £5.00 when compared to the previous month. On an annual basis P60's are issued and details in relation to the Pensions Increase and how this will apply to them.

Active Members

On joining the scheme new members are issued with a certificate of membership and a copy of the current scheme booklet. All scheme members are issued with an Annual Benefit Statement, personalised to the scheme member, these are issued by 31 August in accordance with the scheme regulations. Included with the statement are explanatory notes and forms regarding Nominated Beneficiaries to ensure these remain up to date.

In the event of changes to scheme regulations these will be brought to the attention of the scheme members either through direct mail, publication on the Fund Website and/or via the employers normal communication channels, intranet for Scottish Borders Council the Funds main employer.

Deferred Members

All deferred members are issued an Annual Benefit statement with the same information provided to the Active Members by 31 August each year.

Prospective Members

We work with employers to promote the benefits of membership of the scheme through promotional material, including scheme booklets, and access to the Fund website.

Scheme Employers

We provide an annual Pension Fund Employer Forum where all employers are invited to attend and are provided with information regarding scheme regulations in the past year and requirements for the year end, as such the events are usually held in March to ensure information pertaining to the year end is as up to date as possible. All employers are issued with the Pensions Administration Strategy outlining service standards and performance measurements against these standards.

All scheme employers have access to the Fund Website where they can obtain access to the scheme policies, additionally, there is a publicly accessible section of the Scottish Borders Council website where information relating to the joint Pension Fund Committee and Board can be accessed allowing all employers to see what is being discussed.

Pension Fund Committee and Board

In addition to papers for decisions the Pensions Investment and Administration teams present a quarterly paper bringing the Committee and Board members up to date with specific matters and updating on progress of previously agreed actions. This can be found on the Scottish Borders Council website as part of the Agenda pack for each meeting.

VERSION CONTROL TABLE

Version	Nature of Amendment	Date of Change	Author
2018 1.0	Creation of Pension Communication Policy	9 November 2018	Ian Angus

You can get this document on tape, in Braille, large print and various computer formats by contacting the address below. Ian Angus can also give information on other language translations as well as providing additional copies.

Contact us at Ian Angus, HR Shared Services Manager, Old School Building, Newtown St Boswells, TD6 0SA
 01835 826696, iangus@scotborders.gov.uk

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BUSINESS PLAN PERFORMANCE UPDATE

Report by Chief Financial Officer

JOINT MEETING OF PENSION FUND COMMITTEE AND PENSION FUND BOARD

30 November 2018

1 PURPOSE AND SUMMARY

- 1.1 **This report is to provide members of the Committee and the Board with an update on delivery of the actions within the approved Business Plan.**
- 1.2 The 2018/19 – 2020/21 Business Plan for the Pension Fund was approved by the Committee/Board on 14 June 2018. Included within the plan were key objectives and actions with target dates.
- 1.3 As part of the risk register update approved at Committee/Board on 13 September 2018 it was agreed a mid-year progress report on the business plan actions would be presented to Members at the December 2018 meeting and a further progress report and update at the June 2019 meeting.
- 1.4 There are 19 key tasks due for completion during 2018/19. Of these 9 are fully complete, 6 are on track to be completed by the approved target date, 2 missed their original target date but are now presented elsewhere on the agenda and 2 have been superseded and are no longer required.

2 RECOMMENDATIONS

- 2.1 **It is recommend that the Pension Fund Committee and Pension Board:-**
 - (a) **Notes the progress of the 2018/19 actions within the business plan**
 - (b) **Agrees a further update be presented at the June 2018 meeting**

3 BACKGROUND

- 3.1 Local Government Pension Scheme (LGPS) administering authorities are required to prepare, publish and maintain statements of compliance against a set of six principles for pension fund investment, scheme governance, disclosure and consultation. These are referred to as the "Myners Principles" and the reporting on compliance, as required by the LGPS Regulations, must be included in the Statement of Investment Principles.
- 3.2 Best practice indicates that having a business plan for the Pension Fund is a good way of demonstrating compliance with the "Myners Principle" that underpin effective decision making. The Pension Fund Committee and Board approved the 2018/19 – 2020/21 business plan on 14 June 2018.
- 3.3 As part of the risk register update approved by Committee/Board on 13 September 2018 it was agreed a progress report on the actions contained within the business plan would be reported to the Committee and Board at the December 2018 meeting

4 ACTION PLAN

- 4.1 The action plan detailed how the achievement of the objectives would be measured. Appendix 1 shows the actions to be completed in 2018/19 and provides an update on each individual measure.
- 4.2 There are 19 key tasks due for completion during 2018/19. Of these 9 are fully complete, 6 are on track to be completed by the approved target date, 2 missed target date but are now presented at November meeting and 2 are no longer required.
- 4.3 The action to develop and approve a communication strategy and action plan was due to be completed by 30 September 2018. However due to staff resource constraints the report was delayed until 30 November.
- 4.4 The AVC review had a target date of 30 June, however due to the additional work required to assess the possibility of employers introducing a Salary Share AVC the report was delayed until 30 November.
- 4.5 Following the review of the current AVC provider the 2 actions associated with procurement and implementation of a new AVC mandate are no longer required due to the recommendation to remain with the current supplier.

5 IMPLICATIONS

5.1 Financial

There are no financial implications to this report.

5.2 Risk and Mitigations

The monitoring of the delivery of actions within the Business Plan including identification of responsible officer and timescales, as set out in this report, is part of the governance framework to manage the operation of the Pension Fund and ensure effective decision making. Some of the actions are designed to directly enhance the management of risks.

5.3 Equalities

No equalities issues have been identified for the measures currently undertaken with the Business Plan. If any future measures identifies where there is a potential for the requirement for an Equalities Impact Assessment, this will be undertaken at the time of undertaking the work proposed in the Plan.

5.4 **Acting Sustainably**

There are no direct economic, social or environmental issues with this reports which would affect the Council’s sustainability.

5.5 **Carbon Management**

There are no direct carbon emissions impacts as a result of this report.

5.6 **Rural Proofing**

It is anticipated there will be no adverse impact on the rural area from the proposals contained in this report.

5.7 **Changes to Scheme of Administration or Scheme of Delegation**

No changes are required as a result of this report.

6 CONSULTATION

6.1 The Monitoring Officer, the Chief Legal Officer, the Service Director Strategy and Policy, the Chief Officer Audit and Risk, the Chief Officer HR, and the Clerk to the Council have been consulted on the report and their comments have been incorporated.

Approved by

David Robertson
Chief Financial Officer

Signature

Author(s)

Name	Designation and Contact Number
Kirsty Robb	Pensions and Investment Manager, 01835 825249

Background Papers: Pension Fund Business Plan 2018/19 – 2020/21

Previous Minute Reference: Joint meeting Pension Fund Committee and Pension Fund Board, 14 June 18

Note – You can get this document on tape, in Braille, large print and various computer formats by contacting the address below. The Pensions & Investment Team can also give information on other language translations as well as providing additional copies.

Contact us at Pensions & Investments Team, Council Headquarters, Newtown St Boswells, Melrose, TD6 PSA
Tel: 01835 825249
email: t&cteam@scotborders .gov.uk

What we want to achieve ... (Objective)

Set levels of employer contribution that will build up a fund of assets that will be sufficient to meet all future benefit payments from the Fund, and invest in assets that grows the Fund's assets in a such a way that produces levels of employer contribution that are as stable as possible

How?			By whom?			
Action No.	How we will achieve our objective ... (Action)	Key Tasks	PI ref.	Owner	Target	Progress
P	1	Review Pension Strategies informed by 2017 and 2020 Triennial Valuation Results				
Page 62		Monitor and report investment performance	P1-A1	P&I Manager	Ongoing	Reports produce quarterly to Join Committee and Board. Performance and Sub Committee has met twice and scheduled for February.
		Approval and implementation of 2017 Triennial Valuation employer contribution results, including update of Funding Strategy Statement	P-1-C1 P-1-C2	HRSS Manager P&I Manager	30/6/18	All actions complete and approved at Committee on 14 June 2018

What we want to achieve ... (Objective)

Deliver a High Quality Pension Service to Members

How?				By whom?		
Action No.	How we will achieve our objective ... (Action)	Key Tasks	PI ref.	Owner	Target Date	Progress
P 2	Develop and Implement an effective Communication Strategy for the Pension Fund					
		Develop and gain approval Communication Strategy and Action Plan	P2-A1	HRSS Manager	30/9/18	Report presented to Committee on 30/11/18
		Continue to proactively manage and engage Pension Fund Employers	P2-A2	HRSS Manager	31/3/19	Meeting to be arranged for February 2019
Page 63		Review all forms and communication material, including annual benefit statements	P2-A3	HRSS Manager	31/7/18	Full review of 2018 benefit statements completed.
P 3	Review Additional Voluntary Contribution Scheme Provision					
		Conduct a strategic review of the AVC provision for the Fund	P3-A1	HRSS Manager/P&I Manager	30/6/18	Review completed and reported to Committee 30/11/18
		Procurement of AVC providers	P3-A2	HRSS Manager/P&I Manager	31/12/18	Review resulted in recommendation to remain with current provider
		Implementation and Promotion of AVC scheme	P3-A3	HRSS Manager	31/3/19	Action no longer required
P 4	Ensure successful admission of new Admitted Bodies as required					
		Develop formal policy for Admitted Bodies	P4-A1	HRSS Manager	31/3/19	Policy being developed for March 19 meeting.

Action No.	How we will achieve our objective ... (Action)	Key Tasks	PI ref.	Owner	Target Date	Progress
P 5	Ensure accuracy of Pension Records					
		Undertake full reconciliation of Guaranteed Minimum Pension (GMP) amounts between Fund and HMRC	P5-A1	HRSS Manager	31/12/18	Work progress on target
P 6	Implementation of self service facility					
P		Review of current Pensions Admin system	P6-A1	HRSS Manager	31/9/18	Review completed and contract of current provider extended

What we want to achieve ... (Objective)

Ensure that Scottish Borders Pension Fund is managed effectively, transparently and compliantly

How?			By whom?			
Action No.	How we will achieve our objective ... (Action)	Key Tasks	PI ref.	Owner	Target Date	Progress
P 7	Continue to develop robust governance and risk management					
		Review and update Governance Policy and Compliance Statement	P7-A1	C F Manager	30/6/18	Approved at Committee on 14 June
Page 65		Develop and deliver 2018/19 Training Programme	P7-A2 & A4	C & I Manager	30/6/18	Training plan approved by Committee 14 June, delivery in progress
		Review and update Environmental, Social and Governance section of Statement of Investment Principles.	P7-A5	C & I Manager	30/12/18	Updated policy submitted for approval at Committee 30 Nov 18
		Review and update Pensions Administration Strategy	P7-A3	HRSS Manager	30/9/18	Approved at Committee on 14 June
P 8	Review services provided externally to ensure that these represent best value to the Fund					
		Develop and implement an annual assessment cycle of Investment Adviser and Officer support to the Pension Fund Committee and Pension Fund Board	P8-A1	P & I Manager	31/3/19	Progressing
		Identify requirement for Actuarial Services and procure new contract	P8-A2	P&I Manager	30/12/18	Procurement outcome to be presented 30/11/18.

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PENSION FUND BUDGET MONITORING TO 30 SEPTEMBER 2018

Report by Chief Financial Officer

JOINT PENSION FUND COMMITTEE AND PENSION FUND BOARD

30 November 2018

1 PURPOSE AND SUMMARY

- 1.1 The purpose of this report is to provide the Pension Fund Committee and Pension Fund Board with an update position of the Pension Fund budget to 30 September 2018 including projections to 31 March 2019.**
- 1.2 The Local Government Pension Scheme (Scotland) Regulation 2014 requires Administering Authorities to ensure strong governance arrangements and sets out the standards they are to be measured against.
- 1.3 To ensure the Fund meets the standards a budget was approved on 14 June 2018 following the recommendations within the CIPFA accounting guidelines headings. This report is the second quarterly monitoring report of the approved budgets.
- 1.4 The total expenditure to 30 September 2018 is £0.347m with a projected total expenditure of £6.389m. The projected expenditure is in line with budget.

2 RECOMMENDATIONS

- 2.1 It is recommended that the Pension Fund Committee:-**
 - (a) Notes the actual expenditure to 30 September 2018; and**
 - (b) Notes the projected expenditure.**

3 BACKGROUND

- 3.1 The Local Government Pension Scheme (Scotland) Regulation 2014 requires Administering Authorities to ensure strong governance arrangements and sets out the standards they are to be measured against. The Fund is required to report on an annual basis within its Annual Report if it has met these standards. To demonstrate full compliance requires the setting and monitoring of a budget for the Fund.
- 3.2 A budget was approved at the Joint Pension Fund Committee and Pension Fund Board meeting on 14 June 2018 for 2018/19. The approved budget follows the Local Government Pension Scheme management costs guidance issued by CIPFA into the following 3 categories.

Category	Costs included
Investment Management	All expenses incurred in relation to management of pension fund assets. Including costs invoiced direct and fees deducted from fund assets. Custody and performance fees also included
Administration	Costs incurred in administration of the fund including staff, IT costs and associated overheads, benefits consultants.
Oversight and governance	Costs incurred in the selection & appointment of managers, audit fees, investment advisory services, tax advisory, accounting services, banking service and support to the pensions committee and board.

4 MONITORING TO 30 SEPTEMBER 2018

- 4.1 The table below shows the expenditure to 30 September 2018, projected out-turn to 31 March, full year budget

	Expenditure to 30 Sept 18 £000's	Projected to 31 March 19 £000's	2018/19 Budget £000's	2018/19 Variance £000's
Investment Management	247	5,792	5,792	0
Administration	78	368	368	0
Oversight & Governance	22	241	241	0
Total	347	6,389	6,389	0

- 4.2 Investment Management fees are charged on a quarterly basis in arrears based on the value of assets held on a quarterly basis. The second quarter investment management fees are not therefore included in the expenditure to 30 September 2018 totals.
- 4.3 A revised strategic asset allocation was approved at the Joint meeting on 13 September. The implementation of this will have an impact investment fees as new managers are appointed and funds are transferred. The impact on fees will be assessed and reviewed as part of the implementation of the revised asset allocation.

5 IMPLICATIONS

5.1 Financial

There are not costs attached to any of the recommendations contained in this report.

5.2 Risk and Mitigations

This report is part of the governance framework to manager the operation of the Pension Fund and reflects the compliance with the best practice recommendations. Risk are managed in line with the Corporate Risk Management framework, with risks and controls monitored and reported on a quarterly basis.

5.3 Equalities

It is anticipated that there are no adverse impact due to race, disability, gender, age, sexual orientation or religion/belief arising from the proposals in this report.

5.4 Acting Sustainably

There are no direct economic, social or environmental issues with this report which would affect the Council's sustainability policy.

5.5 Carbon Management

There are no direct carbon emissions impacts as a result of this report.

5.6 Rural Proofing

It is anticipated there will be no adverse impact on the rural area from the proposals contained in this report.

5.7 Changes to Scheme of Administration or Scheme of Delegation

There are not changes to the Scheme of Administration or the Scheme of Delegation required as a result of this report.

6 CONSULTATION

- 6.1 The Monitoring Officer, the Chief Legal Officer, the Chief Officer Audit and Risk, the Service Director HR and the Clerk to the Council have been consulted and their comments have been included in the report.

Approved by

David Robertson
Chief Financial Officer

Signature

Author(s)

Name	Designation and Contact Number
Kirsty Robb	Pension & Investment Manager, 01835 825249

Background Papers:

Previous Minute Reference: Joint Pension Fund Committee and Pension Fund Board 13 September 2018

Note – You can get this document on tape, in Braille, large print and various computer formats by contacting the address below. The Pension and Investment

Team can also give information on other language translations as well as providing additional copies.

Contact us at Contact us at: Pension & Investment Team, Council Headquarters, Newtown St Boswells, Melrose, TD6 OSA Tel: 01835 825249 Fax 01835 825166.
email: t&cteam@scotborders.gov.uk

REVIEW OF THE STRUCTURE OF SCOTTISH LOCAL GOVERNMENT PENSION SCHEME – CONSULTATION RESPONSE

Report by Chief Financial Officer

JOINT MEETING OF PENSION FUND COMMITTEE AND PENSION BOARD

30 November 2018

1 PURPOSE AND SUMMARY

- 1.1 **The purpose of the report is to approve the consultation response from the Pension Fund on the review of the structure of Scottish Local Government Pension Scheme.**
- 1.2 Following a request from Scottish Government the Scheme Advisory Board launched a consultation process on the future structure of the Scottish Local Government Pension Scheme. The process was launched in June 2018 and seeks to establish the views of employee and employers representatives. Responses must be submitted no later than 7th December 2018.
- 1.3 The review seeks opinions on 4 options:
 1. Retain the current structure with 11 funds
 2. Promote cooperation in investing and administration between the 11 funds
 3. Pool investments between the 11 funds
 4. Merge the 11 funds into one or more funds
- 1.4 The Committee and Board have received all information available to the Fund and at the joint meeting on 13 September had a full discussion of the options.
- 1.5 A draft response is contained in Appendix 1 reflecting the agreed position of the Committee and the Board. It was agreed a separate response would be submitted by the Board and employers would be encouraged to also submit responses.

2 RECOMMENDATIONS

- 2.1 **It is recommend that the Pension Fund Committee and Pension Board:-**
 - (a) **Agree Appendix 1 should be submitted as the agreed response from Scottish Borders Council Pension Fund.**
 - (b) **Notes a separate response will be submitted by the Pension Board**

3 BACKGROUND

- 3.1 The Scheme Advisory Board (SAB) at the request of the Cabinet Secretary for Finance and Constitution, Derek Mackay MST, launched a consultation on the future structure of Scottish LGPS in June 2018. The SAB has commissioned the Pensions Institute to manage the consultation process.
- 3.2 The consultation seeks to establish the views of the employers and employee representative groups on whether outcomes for the members and sponsors of the Scottish Local Government Pension Scheme (SLGPS) can be improved by altering the structure of the scheme. The consultation asks these stakeholders to compare the advantages and disadvantages of the current scheme structure against three options that, by differing degrees, consolidate the functions of the scheme's 11 constituent funds through greater collaboration, pooling or merger.
- 3.3 The 4 Options identified in the consultation reports are:
 1. Retain the current structure with 11 funds, the status quo
 2. Promote cooperation in investing and administration between the 11 funds
 3. Pool investments between the 11 funds
 4. Merge the 11 funds into one or more funds
- 3.4 The four criteria against which each of the options is to be assessed are:
 1. Cost of investing
 2. Governance
 3. Operating risks
 4. Infrastructure investment
- 3.5 Employer and employee representative organisations are asked to respond to the consultation questions and return it via email to the Pensions Institute no later than Friday 7th December 2018.

4 SCOTTISH BORDERS COUNCIL PENSION FUND RESPONSE

- 4.1 Following the launch of the consultation process a seminar was organised by SAB on 27th June 2018. The seminar was attended by representatives of all 11 funds. Scottish Borders Council Pension Fund was represented by both members of the Pension Fund Committee and the Pension Fund Board.
- 4.2 Since the launch seminar all information available on the options has been fully shared including background documents issued with the consultation including an initial response from Strathclyde Pension Fund and the draft Unison response.
- 4.3 At the joint meeting on 13 September 2018 the Committee and Board discussed the different options and it was agreed fully by the Committee and by the majority of the Board that the response from the Pension Fund should be supportive of option 2 – promotion of cooperation and collaboration.
- 4.4 Contained in Appendix 1 is the recommended draft response from the Pension Fund. A separate response will be submitted by the Pension Fund Board.
- 4.5 Employer organisations are encouraged to submit responses to the consultation.

5 IMPLICATIONS

5.1 Financial

There is no immediate financial impact; however the outcome of the review

may have significant financial consequences for the pension fund, Scottish Borders Council and the other admitted and scheduled employer bodies.

5.2 Risk and Mitigations

The contents of this report are the subject of a national consultation. There are significant risks associated with future changes to the structure of the LGPS in Scotland and these are highlighted in the draft response.

5.3 Equalities

It is anticipated that there are no adverse impact due to race, disability, gender, age, sexual orientation or religion/belief arising from the proposals in this report.

5.4 Acting Sustainably

There are no direct economic, social or environmental issues with this reports which would affect the Council's sustainability.

5.5 Carbon Management

There are no direct carbon emissions impacts as a result of this report.

5.6 Rural Proofing

It is anticipated there will be no adverse impact on the rural area from the proposals contained in this report.

5.7 Changes to Scheme of Administration or Scheme of Delegation

No changes are required as a result of this report.

6 CONSULTATION

- 6.1 The Monitoring Officer, the Chief Legal Officer, the Service Director Strategy and Policy, the Chief Officer Audit and Risk, the Chief Officer HR, and the Clerk to the Council have been consulted on the report and their comments have been incorporated.

Approved by

DAVID ROBERTSON
CHIEF FINANCIAL OFFICER

Signature

Author(s)

Name	Designation and Contact Number
Kirsty Robb	Pensions and Investment Manager, 01835 825249

Background Papers:

Previous Minute Reference: Joint meeting Pension Fund Committee and Pension Fund Board, 13 September 18

Note – You can get this document on tape, in Braille, large print and various computer formats by contacting the address below. The Pensions & Investment Team can also give information on other language translations as well as providing additional copies.

Contact us at Pensions & Investments Team, Council Headquarters, Newtown St Boswells, Melrose, TD6 PSA
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email: t&cteam@scotborders .gov.uk

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Review of the Structure of the Scottish Local Government Pension Scheme

CONSULTATION RESPONSE FORM

Instructions

Responses in this form should be drafted in conjunction with the accompanying consultation report. To respond, please complete the **respondent details** and as many of the **consultation questions** your organisation wishes to complete and return the form via email to the Pensions Institute at consultation@pensions-institute.org no later than **Friday, 7 December 2018**.

This consultation is being conducted in electronic form only, so **responses must be emailed**; hard copy posted or delivered responses cannot be received. Any queries about the consultation should be addressed to Matthew Roy, Fellow, Pensions Institute at matthew.roy@pensions-institute.org.

RESPONDENT DETAILS

<p>Name of responding organisation(s) Please list the full name of each organisation participating in this response.</p>	<p>Organisation type Is your organisation an administering authority, employer, or employee group? Please record for each responding organisation.</p>
<p>Scottish Borders Council Pension Fund</p>	<p>Administer Authority</p>
<p>Authors Please list any people that wish to be recorded as authors of this response, including name, job title and organisation.</p>	<p>Consent Please confirm each author consents to their information being retained for analysing the consultation responses by writing 'confirm' by their name.</p>
<p>David Robertson, Chief Financial Officer Kirsty Robb Pensions and Investment Manager</p>	<p>confirm</p>
<p>Date Please date the response.</p>	<p>30/11/18</p>

Covering information

If you wish to include covering information with your response, please include the text here. The text can wrap onto additional pages if needed.

Scottish Borders Council Pension Fund

The Scottish Borders Council Pension Fund (the Fund) as part of the Local Government Pension Scheme (LGPS) is administered by Scottish Borders Council (the Administering Authority). The fund has 18 scheme employers, 4,409 active members and issued 6,575 benefit statements during in the year to 31 March 2018. The fund had 10,667 members as at 31/3/18.

The LGPS scheme is governed by the Public Service Pensions Act 2013. The fund is administered by the Council in accordance with the following secondary legislation:

- The Local Government Pension Scheme (Scotland) Regulations 2014 (as amended)
- The Local Government Pension Scheme (Transitional Provisions and Savings) (Scotland) Regulations 2014
- The Local Government Pension Scheme (Management and Investment of Funds) (Scotland) Regulations 2010
- The Local Government Pension Scheme (Governance) (Scotland) Regulations 2015

It is a contributory defined benefit pension scheme designed to provide pensions and other benefits for pensionable employees of Scottish Borders Council and a range of other scheduled and admitted bodies within the Scottish Borders area.

Objectives

The primary aim of the fund is to

- provide for members' pension and lump sum benefits on their retirement or for their dependants' benefits on death before or after retirement, on a defined benefits basis.

The funding Objectives are to

- set levels of employer contribution that will build up a fund of assets that will be sufficient to meet all future benefit payments from the Fund.
- build up the required assets in such a way that ensure levels of employer contribution that are stable.

The latest Triennial Valuation was undertaken at 31 March 2017. The outcome of the 2017 Valuation was a funding level of 114%, an improvement in the position assessed at 2014 of 101%. The funding position equates to a surplus of over £80m demonstrating that the fund is meeting its primary objective.

On the advice of the actuary this surplus has been used over time to offset increases in the primary employer's contribution rate of 20.6%. As a result there was no change in the overall Fund common pool employer contribution rate which remained at 18% one of the

lowest employer rates in the LGPS in Scotland.

At 31 March 2018 the fund had £684.6m of assets under management, an increase of £30.2m (5.6%) on the position as at 31 March 2017.

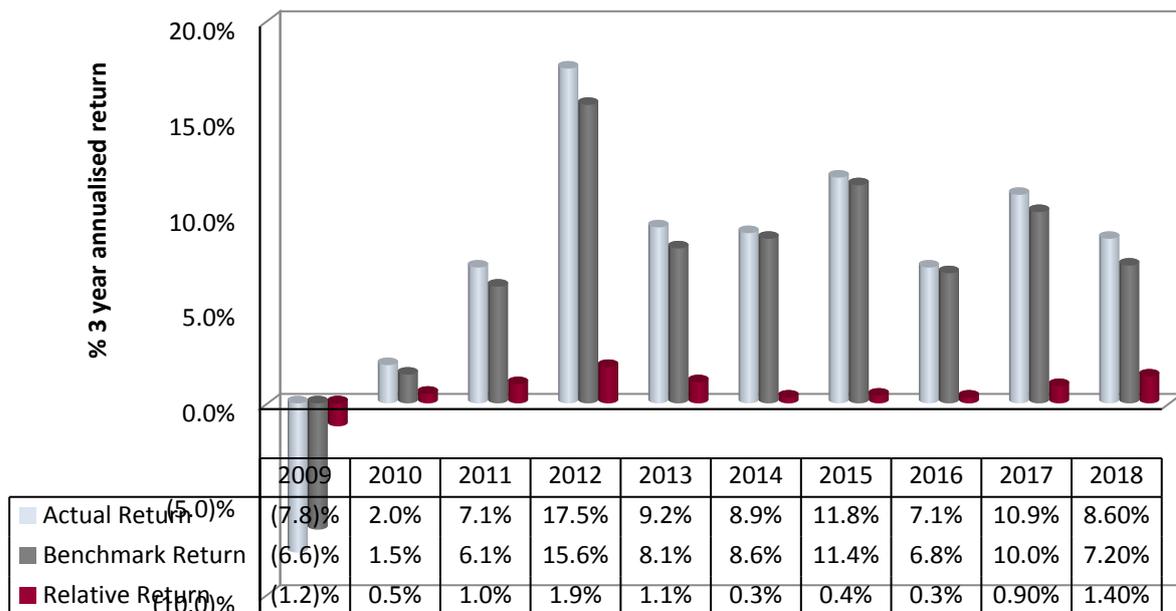
The fund has delivered strong performance of 8.6% for the rolling 3 year period to 31 March 2018.

Investment Performance

The Fund's performance against benchmark over the past 10 years is highlighted in the chart below. This chart demonstrates that the rolling 3 year annualised relative return (i.e. Fund's return achieved compared with the benchmark) since 2010 has been positive, and that over the 10 year period there has only been one year of negative returns overall for the Fund and that was immediately following the financial crisis in 2008.

On average the fund has returned relative out performance against bench mark of 0.66% per annum over the last 10 years.

3 Year Annualised Returns ending 31 March



The Fund achieved these favourable returns in 2017/18, with all Fund Managers producing a positive return. Global equities provided the highest out performance against benchmark. Relative out performance of 1.4% was achieved for the year against the benchmark of 7.2%.

Over the last 10 years the net assets of the fund have increased by 133%.

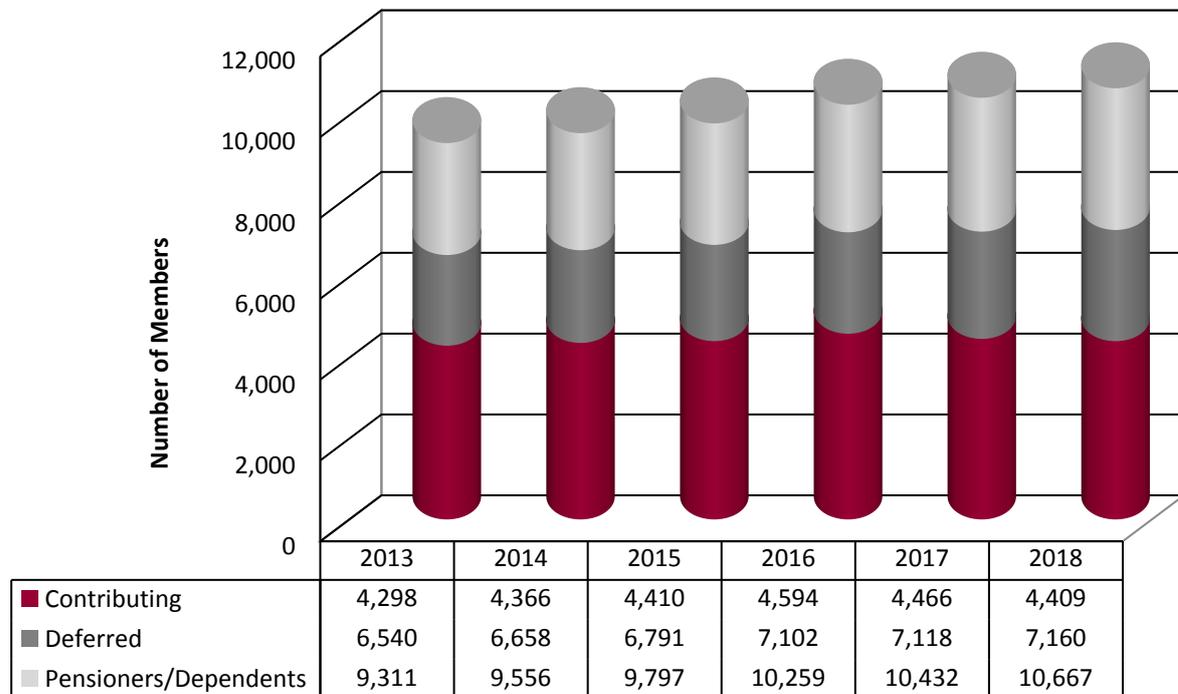
Asset Diversification

The fund is well diversified across a range of assets classes including global and UK equities, bonds, alternatives, direct lending, private credit, property and infrastructure. This latter asset class is accessed in collaboration with Lothian Pension fund. The Fund is now well positioned to withstand future fluctuations in

financial markets.

Overview of Fund Membership

Current membership of the Fund is 10,667 of which 4,409 are actively contributing and 3,507 are in receipt of pension benefits. The following chart summarises the trends in membership:



Since 2013 the total membership has increased by 1,356 members (a 15% increase overall). During this period the number of pensioners and their dependants has increased by 23%, and the number of active contributing members has increased by 3%. This presents a challenge to the Fund to ensure that it manages its future cash flows effectively as the fund matures. This was included as part of the considerations when undertaking the full investment review.

The strong asset position, along with the 2017 (114%) Triennial Valuation of funding level, demonstrates that the Fund is well placed to meet its future pension and other benefit liabilities.

Recent changes in the legislation around what pensioners are able to do with their pension benefit entitlements have increased individual freedoms to withdraw from pension funds, potentially triggering significant transfer movements. The Scottish Borders fund has not however seen any significant withdrawals as a result of this legislation and continues to monitor this position.

Governance and Decision Making

Following the significant changes required in the governance arrangements which came into force on 1 April 2015 the Scottish Borders Pension Fund Board was established. Joint

meetings of the Pension Fund Committee and Pension Fund Board have been held regularly during 2017/18.

The remit of the Pension Fund Board is to assist the Council (as administering authority) in relation to:

- a) securing compliance with the regulations and other legislation relating to the governance and administration of the Scheme and any statutory pension scheme that is connected with it;
- b) securing compliance with requirements imposed in relation to the Scheme and any connected scheme by the Pensions Regulator; and
- c) such other matters as the regulations may specify.

This body is made up of four scheme employer representatives and four trade union representatives.

The membership of the Pension Fund Committee comprises elected members from the administering authority, Scottish Borders Council.

Knowledge and Skills

The Funds Training Policy was updated and agreed on 22 June 2017. The Training Policy sets out a target for all members of the Pension Fund Committee and Pension Fund Board in relation to attendance at Committee meetings and training events. Compliance with the policy is monitored regularly.

The Policy requires members of the Pension Fund Board and Committee to attend at least two meetings per year and two training events. All Members of the Pension Fund Committee fully met the training and attendance targets set in the Training Policy. 75% of the Pension Fund Board met the attendance target and 75% met the training target. The Training policy also for 2017/18 required all members of the Committee and Board to undertake The Pension Regulator Trustee Toolkit within 6 months of becoming a member. The Fund is able to demonstrate full compliance with the relevant best practice standards and this is set out in the Governance Compliance Statement accessible at <http://www.scottishborderscouncilpensionfund.org/media/4239/annual-report-2017-18-audited.pdf>

A full copy of the Business Plan can be found at www.scotborders.gov.uk/pensions.

The Statement of Investment Principles (SIP) can be found here www.scotborders.gov.uk/pensions.

The full version of the actuary report and the current Funding Strategy is available via the Pension Funds website: <http://scottishborderscouncilpensionfund.org/>

The Fund's Pensions Administration Strategy was approved in September 2015. This sets out scheme employer and administering authority roles and responsibilities and defines the

service performance standards. A comprehensive report on Pensions Administration performance for 2017/18 was presented to the joint meeting of the Pension Fund Committee and Pension Board on 14 June 2018 and a copy of the report is available via the Council's committee papers website <http://scottishborders.moderngov.co.uk/>.

Against this background the statutory Audit for 2017/18 of Scottish Borders Pension Fund under taken by Audit Scotland concluded positively on the management of the Fund.

The Scottish Borders Pension fund is by any objective measure well managed and governed effectively. The fund is fully compliant with the relevant legislation and has well established board and committee arrangements in place. The Scottish Borders Council pension fund is 114% funded and, has a growing membership. The fund is well diversified to protect against market shocks and has recently concentrated on income yielding assets in response to the increasing maturity profile of the membership.

The Borders employer contribution rates are amongst the lowest in Scotland and the Fund complies fully with CIPFA guidance on fee transparency. The fund is assisted by appropriately qualified and experienced officers, external advisers and fund managers. It has opted up to professional status under MiFID 2 and is well placed to meet the future challenges facing the LGPS.

The SBCPF recognises that if the LGPS in Scotland was being established afresh an 11 fund structure would probably not be the model chosen to administer the fund. Nevertheless, the long track record of strong performance of the Scottish Borders Pension fund, the lack of robust evidence of the benefits of change and potentially negative impact such change will have on to the stability, performance and funding position has led the Fund to conclude that making any change to the structure of the LGPS in Scotland is an unacceptably high risk strategy.

The evidence to support change is at best selective. Pension fund reforms being undertaken in England and Wales have proved expensive and have yet to demonstrate any positive impact on fund performance.

It may be that some marginal cost savings could be delivered by fewer, larger funds over the longer term. Evidence to support this view is however again at best limited and it should be noted that some of the largest UK pension funds have recently experienced funding and governance issues.

It should also be noted that smaller scale funds, unburdened by weighty governance structures can often move quickly to access attractive niche investment opportunities. For example the Borders recently accessed a long lease property mandate which now has a six month investment queue. While economies of scale may be possible the costs associated with transitioning to new investment mandates will offset such savings for years to come.

The Fund is already investing infrastructure in collaboration with Lothian Pension fund and plans to further develop this relationship in future.

SBCPF believes that everyone should have access to high quality benefits and that the continuing high levels of engagement in the fund demonstrate continued confidence in the stability of the scheme and in the benefits of local management. This view is assisted greatly by the involvement of local elected members, local trades unions representative and local employers in the decision making process through both the

Pension fund committee and the Board.

The Fund believes that there is no reliable empirical case for change and much more work would have to be done to evaluate the benefits and significant risks associated with change before this could be supported as being in the best interests of the fund membership.

In the absence of evidence to the contrary the SBCPF is of the view that such change is likely to have a detrimental impact on performance and pensioner confidence and for this reason believes the status quo should remain while proper evaluation of the evidence supporting any change is undertaken. If change is required the Scottish Borders Pension Fund would support a voluntary collaboration model, avoiding the need for pooling or expensive, time consuming and un-proven structural reform.

The Scheme Advisory Board is respectfully reminded that the primary fiduciary duty of the LGPS is to take decisions which are in the best interests of its members. Any changes to the structure of the LGPS in Scotland must place the interests of the scheme members at the forefront of decision making. There is no evidence that the measures being considered by this consultation will deliver against this objective.

The consultation questions follow.

CONSULTATION QUESTIONS

Question 1: Retain the current structure with 11 funds

The text can wrap onto additional pages.

a) Cost of investing:

- ***How well informed do you feel about the investment costs in your fund? What information do you rely on to specify and measure these?***

The Scottish Borders Council Pension fund has undertaken a significant amount of work with its fund managers in recent years to ensure there is a full understanding of the investment costs of the fund that complies fully with the requirements of CIPFA's Guidance on Accounting for Local Governance Pension Schemes.

The Fund encourages its pension managers to sign up to the LGPS fee transparency code and fully disclose both internal and external management fees and transaction costs within its annual accounts.

- ***How well does the current system manage investment costs?***

The fund has good information with regard to fee levels allowing objective evaluation and comparison of the fees charged by individual managers.

The absolute level of cost while important is not however always the most important determining factor in retaining a fund manager. While fees levels are an important consideration the fund believes that paying additional fees to deliver out performance through active management of pension fund investments is an equally important consideration.

The fund believes that the overall value for money delivered by a manager is a more important consideration than fee levels.

The fund employs competitive tendering in the procurement of investment managers and in the procurement of other services including investment advisors, tax advice, custodian services and for actuarial services thereby ensuring best value is delivered. SBCPF uses the Norfolk Framework which is an excellent example of collaborative working across LGPS funds across the UK.

How would you improve the measurement and management of investment costs in the current system?

SBCPF already has a good understanding of the costs of investment including layered fees in our alternative mandates. All fund managers employed by the LGPS should be required to disclose their full fee structure in line with the fee transparency code.

The sharing of detailed information on fee rates per managers across all funds in England, Wales and Scotland would allow clear comparison of rates and aid funds in their discussion with Managers.

b) Governance:

How well informed do you feel about the governance of your fund? What

information do you rely on to measure this?

The SBCPF is audited on an annual basis by Audit Scotland. The 2017/18 audit of the pension fund concluded positively on the governance of the fund noting “ the fund has effective governance arrangements in place that support the scrutiny of decisions made by the pension fund committee.”

The recent advent of Pension Boards, with local employee membership, has added a further positive dimension to the governance of the pension fund.

The fund undertakes benchmarking of the outputs of the fund, including investment performance, funding level, expenses and contribution rates to assess its performance.

It publishes an annual Governance Statement under the 2014 regulations to demonstrate compliance with the governance standards required by Scottish Ministers. These standards are established via a number of best practice principles and the fund is able to objectively measure its compliance against these standards.

The fund also measures its compliance against the Myners principles which reflect best practice guidance issued by CIPFA covering the effectiveness of decision making, the setting of clear objectives for the fund, the understanding of risks and liabilities, performance assessment, responsible ownership, transparency and reporting.

SBCPF have a strong training policy which is monitored on an annual basis. All members of the Committee and Board are required to complete The Pension Regulator Trustee Toolkit within 6 months and must meet annual training requirements.

• ***How well is the current system governed?***

The 2016 KPMG review of the governance of the LGPS concluded positively with regards to the standard of governance in place across the LGPS in Scotland.

Pension Fund Boards, although only introduced in 2015, have added a further positive dimension ensuring scrutiny of pension fund committee decisions and the effective engagement of employee representatives in the management of pension funds.

Statutory external Audit of the LGPS funds is undertaken annually. These do not highlight any concerns with the current governance arrangements in place across funds.

All funds are required to comply with the requirement of MiFID 2

• ***How would you improve governance of the current system?***

The KPMG review of the system outlined no fundamental weaknesses in the LGPS governance model in Scotland.

All funds should be required to publish information regarding their investment strategy, actuarial report and funding assumptions as well as performance and key policy

documents for example the statement of investment principles or their ESG policies.

Pension Fund committees should meet jointly with Pension Boards on a regular basis and committee meetings should be held in public wherever possible.

The minutes of meetings should be published.

SBCPF meets all these requirements.

The introduction of Boards and the Scheme Advisory Board has added an extra layer of governance and oversight and the Fund believes a strong proactive Scheme Advisory Board has the potential to ensure all funds are fully meeting the required standards of governance and oversight.

- ***How important is it to maintain a local connection with respect to oversight and strategy?***

The LGPS is a local service. The SBCPF believes that decisions that affect local people are best made locally by elected members and that these decisions should be as transparent and open as possible.

The costs of the LGPS are a significant component of the costs of employing staff and therefore are a significant element of council budgets which local councilors are responsible for.

The SCBPF believes it is important therefore that there is effective oversight and scrutiny of pension funds at local level. This is best achieved where there is close alignment between scheme members and their dependents and those charged with taking decisions. Such close alignment improves accountability. Decisions with regard to investments, ethical investment, environmental issues, risk management etc. should be kept as local as possible so that elected representatives can be held responsible to their members and the local electorate for their decisions with regard to oversight and strategy, and ultimately, their stewardship of the pension fund. The local nature of decision making guarantees an effective voice for employee representatives on pension fund boards.

- ***How would you determine if the benefits of a local connection in governance outweigh the benefits of scale?***

The Propensity to good governance in any organisation bears no relationship to scale. There is no evidence that larger size funds perform better, or that they have fundamentally lower costs. There is no evidence to suggest that the current model is not working effectively either in terms of governance standards or in terms of investment performance.

Operating risks:

- ***How well informed do you feel about the operating risks of your fund? What***

information do you rely on to specify and measure these?

The pension fund in the Borders holds regular meetings with their fund managers to assess and understand the risks associated with their investments.

The pension fund has a published risk policy.

The risk register is reviewed on a quarterly basis by the Pension Fund Committee.

The risk register is publically available here

<https://www.scottishborderscouncilpensionfund.org/media/4253/180614-full-risk-register.pdf>

SBCPF has opted up to professional status under MiFID 2 which requires funds to have access to appropriate, professionally - qualified advice to ensure they can manage risks effectively.

- ***How well are operating risks managed in the current system?***

The performance of the LGPS in Scotland and the content of external audit reports indicate these risks are being managed effectively. The SBCPF has appropriately qualified, experienced officers managing both the pension fund investment and pension fund administration processes. The fund has a strong risk based culture and has effective arrangements in place for managing those risks. The fund does not manage any money internally instead relying on the expertise of professional investment firms. The operation of the fund is supported by independent expert advisor KPMG, external Custodian Northern Trust and our actuary Barnett Waddingham.

- ***How would you improve the measurement and management of operating risks in the current system?***

By requiring members to undertake mandatory training e.g. the Trustee toolkit to ensure they have a good understanding of operating risks.

By requiring each fund to publish a comprehensive risk register for the fund which is subject to regular review.

Infrastructure:

- ***How well informed do you feel about your fund's investments in infrastructure? What information do you rely on?***

The principal of investment in infrastructure is well established where this offers comparative advantage over other asset classes for example diversification benefits or index linked annual income. Scottish Borders Council Pension Fund is actively collaborating in a range of Infrastructure investments with Lothian Pension fund. This arrangement provides SBCPF with cost effective access to investment opportunities which are also being accessed by Falkirk, Fife and NILGOS. Recent investments include renewable energy, telecoms and transport infrastructure.

- ***How do you rate the current system's ability to invest in infrastructure?***

The principal objective of a pension fund is to build up a fund of assets sufficient to meet future pension fund liabilities not to fund public infrastructure projects.

There is an inherent tension between optimizing risk and return for pension funds and delivering public investment in infrastructure at the lowest possible cost to the taxpayer.

There are however excellent examples of the LGPS investing in infrastructure which is increasing featuring as part of the Asset Allocation Strategy of LGPS funds for example it is understood Strathclyde has now allocated over £330m in this asset class.

Scottish Borders has made an allocation of 5% of assets under management to infrastructure and is investing in this asset class in collaboration with Lothian Pension fund

- ***How would you increase investment in infrastructure in the current system?***

The attractiveness of this asset class can only be assessed in comparison to the risk and return profile of other assets. Having an appropriate vehicle to access infrastructure investment in a cost effective manner would assist.

The Scottish Futures trust has recently undertaken work in this area and published a paper with regard to housing infrastructure investment.

The structures to easily enable such large scale investment in infrastructure, which balances suitable returns within an optimized risk profile, with low cost project funding which can match PWLB costs, are not however yet suitably developed. Development of such a model would help to facilitate infrastructure investment.

The desire to see LGPS funds investing in infrastructure is a well-established political objective; however, it must be recognized that fund assets are separate from council funds and they exist to pay for liabilities. Any decision to invest in infrastructure need to be based on an objective assessment of risk and reward to the pension fund as well as the cost and benefit of such investment to local communities. One cannot be assessed and achieved without an understanding of the other and there needs to be an acceptance that meeting the policy objective of having pension funds invest in local infrastructure must result in the risk of lower investment returns or higher pension costs for Local Authorities.

Do you have any additional comments about this option?

This option represents the Status Quo for the LGPS in Scotland and any other options considered must deliver demonstrably better outcomes, based on robust empirical data, for them to be seriously considered.

The LGPS is an integral part of local government and of local decision making and is a considerable success story by any measure. Costs are low, governance is effective, member trust in the current system is high and most importantly funding levels are near

or above 100% in all funds.

The LGPS faces significant challenges, but then so do the rest of the public services, and the reforms being consulted upon within this consultation are unlikely to solve these issues or lead to better outcomes. They could in fact prove highly costly and do significant damage!

Question 2: Promote cooperation in investing and administration between the 11 funds

The text can wrap onto additional pages.

a) Cost of investing:

- ***What impact do you think promoting agreements between funds would have on investment costs?***

Promoting joint agreements relating to collaborative investments could have some positive impacts in terms of fees. This is particularly the case with regard to the cost of investing in alternative asset classes such as infrastructure.

- ***What would be the positive impacts?***

Economies of scale may be delivered to some of the smaller funds through greater purchasing power.

Collaboration and cooperation will give all funds the confidence to invest in a wider range of diversified assets and provide access to a wider breadth of expertise.

- ***What would be the negative impacts?***

Collaboration does not remove the requirement for individual funds to undertake due diligence regarding prospective investments. Each party to the collaborative investment agreement must undertake their own research and fully understand the risks and potential benefits of investing before committing.

Governance:

- ***What impact do you think promoting agreements between funds would have on governance?***

None. Collaboration does not remove the requirement for each fund to ensure its

governance arrangements are operating effectively.

- ***What would be the positive impacts?***

Sharing of best practice and closer cooperation on co investment opportunities should have a positive impact. A wider range of individuals scrutinizing and challenging investment decision should lead to better outcomes

- ***What would be the negative impacts?***

The difficulty of coordinating investment decisions, often to tight market driven timescales could be a potential disadvantage. Collaboration does not remove any governance overhead from individual funds.

Operating risks:

- ***What impact do you think promoting agreements between funds would have on operating risks?***

No material impacts if collaboration is undertaken on a voluntary basis with each fund retaining responsibility for its own investment decisions. Significant voluntary cooperation already exists between LGPS funds that share best practice and access a range of services through nationally agreed procurement frameworks.

- ***What would be the positive impacts?***

There could be potential benefits through economies of scale.

Increase collaboration around Pension Administration could have a positive impact above that already in place. All administering authorities now operate on the same administration system which, whilst working with the provider, could lead to increased synergies around documentation and testing of system upgrades resulting from changes to regulations

- ***What would be the negative impacts?***

Formal legally binding agreements need to be documented leading to additional legal costs.

d) Infrastructure:

- ***What impact do you think promoting agreements between funds would have on funds' ability to invest in infrastructure?***

In practice this arrangement is already working effectively with respect to infrastructure.

- ***What would be the positive impacts?***

Smaller funds would have access to a wider range of investment opportunities on a cost effective basis. A recent good example is the benefits that have been gained by Falkirk and Scottish Borders Council through collaboration with Lothian Pension Fund in a range of infrastructure based investments. Co investment provides the opportunity to share legal, technical due diligence costs.

- ***What would be the negative impacts?***

There is however the potential for disagreement and challenge arising from service failure or adverse investment returns. This could increase the risk of legal challenge and require formal dispute resolution procedures.

Risk that under a collaborative investment model inappropriate resilience is placed upon the work of others and the necessary diligence on behalf of individual funds does not take place with sufficient rigor. The effectiveness of any diligence process is reliant upon funds having a clear understanding of the key features and risks associated with investment products.

While not a negative impact, the complicated nature of these investment has required Lothian Pension Fund to set up an FCA registered company which manages the co investment process.

Do you have any additional comments about this option?

Closer collaboration could allow the retention of local expertise in the Finance and HR function providing depth and resilience across Scotland, particularly in smaller authorities, which would otherwise be lost. It should be recognized that expertise in pensions and investment, an understanding of financial markets and pension benefits provides significant advantages and support to the wider local authority. This would be lost under a formal restructuring proposal but could be retained under a collaboration model. This point is linked strongly to concerns over key person risk should restructuring occur allowing the retention of local experience to advise local councillors and board members appropriately.

Question 3: Pool investments between the 11 funds

The text can wrap onto additional pages.

a) Cost of investing:

- ***What impact do you think pooling investments between funds would have on the cost of investing?***

Pooling of investments would require significant restructuring of LGPS investment mandates at significant cost. The study undertaken by Mercers does not support the view that larger fund always have lower costs and perform better based on their snapshot analysis of the LGPS 2015 accounts.

- ***What would be the positive impacts?***

There could be a positive impact on some of the smaller funds fee costs from investment pooling. The larger funds e.g. Strathclyde are unlikely to see much if any benefit due to their existing scale. Reducing costs is important but will only deliver benefit if it improves net investment returns.

- ***What would be the negative impacts?***

The drive to reduce costs may lead to a reduction in the number of fund managers willing and able to engage with the LPGS. One effect of pooling on passive investments in E&W is that fees have been reduced to the level where there are now fewer larger players left in the market. Gains made may however be eroded over time by the as the few remaining firms exert their dominant market position .

Pooling may provide fee costs benefits in the short term but these are also likely to be offset by transition and reorganization costs.

The drive to the bottom in terms of fees may lead to the risk that any short term fee gains made through market competition may not be sustainable in the longer term - which could see reversal of the current position and fees increasing.

The LGPS in Scotland is already able to access comparatively low investment fees when compared to England and Wales as set out in Mercers structure review paper. **If asset pooling were possible, under what circumstances should a fund consider joining an asset pool?**

Pooling should only be undertaken if it provides significant advantages to the fund. These advantages will differ depending on the circumstances of each fund. The performance of the SBPF make it difficult to envisaged what the additional benefits of pooling would be.

- ***Under which circumstances should the SLGPS consider directing funds to pool?***

SBPF is strongly opposed to any proposal that would force pooling on anything other than a voluntary basis. The only circumstances where this should be considered is if there was sustained evidence of governance failures at a local level or evidence that funds were completely unable to meet their long term liabilities on an actuarial basis.

b) Governance:

- ***What impact do you think pooling investments between funds would have on governance?***

Pooling is likely to require additional governance and administrative structures to be established.

- ***What would be the positive impacts?***

There is as yet no evidence that pooling has had a positive impact in England and Wales.

- ***What would be the negative impacts?***

This option may require additional layers of governance, lessen local involvement in investment decisions and make decision making more remote.

c) Operating risks:

- ***What impact do you think pooling investments between funds would have on***

operating risks?

There is likely to be little impact on operating risks arising from pooling. Day to day investment would continue to be carried out by line managers.

- ***What would be the positive impacts?***

SBCPF can not envisage any positive impact on operating risks from pooling.

- ***What would be the negative impacts?***

Pooling will in all likelihood lessen the number of fund managers in the LGPS concentrating investments with fewer firms, reducing diversification and arguably increasing risk.

d) Infrastructure:

- ***What impact do you think pooling investments between funds would have on funds' ability to invest in infrastructure?***

Decisions to invest in infrastructure are only taken where these provide additional benefit to a pension fund for example greater diversification. Pooling is unlikely to have any material impact on a pension funds appetite to invest in infrastructure. Strathclyde, Lothian, Fife, Falkirk and Scottish Borders already invest in infrastructure.

- ***What would be the positive impacts?***

None

- ***What would be the negative impacts?***

None

Do you have any additional comments about this option?

Yes. There are significant risks associated with this option and a lack of tangible data to support it.

Pooling will introduce an added layer of bureaucracy. Staff would be required to run the new pools at potentially significant cost if staffing arrangements and grades sit out with LGPS pay structures.

There is no evidence yet that the pooling arrangements in England and Wales have delivered any cost benefits or improvements in governance. The costs of pooling may be significant and will require substantial professional advice from pension fund managers, investment consultants and actuaries

Tangible evidence is scarce; however, anecdotal evidence of pooling so far seems to indicate that the process has been problematic with concerns over loss of local accountability and governance.

The drive to establish larger pools may perversely have the effect of increasing fee

costs in the longer term as fewer remaining providers are able to exercise their market dominance to increase fees with little risk of losing business.

The timing of the financial transitions required to establish pools may be problematic if disinvestments are executed at a time when markets are volatile. This will introduce risk and unnecessary cost.

Increasing cost may perversely cause pools to invest in higher risk, higher yield assets to recover the ground lost through timing losses and to recover reorg/ transition costs.

Pooling would result in a dilution of local expertise and knowledge potentially increasing risk to the smaller councils where staff often performs a wider role with respect to the financial management of the authority.

Pooling may thereby reduce opportunities for elected members to access financial advice and reduce expertise at a local level.

Pooling will not promote collaboration and expertise across the wider funds' activities.

Pooling of investment will offer no advantages for pension fund administration.

It is concerning that the evidence base used for pooling in England and Wales is so selective, out of date and unrelated to UK LGPS fund performance.

Question 4: Merge the funds into one or more new funds

The text can wrap onto additional pages.

a) Cost of investing:

- ***What impact do you think mergers between funds would have on the cost of investing?***

Merger would require significant restructuring of LGPS investment mandates at significant cost. The study undertaken by Mercers does not support the view that larger fund always have lower costs and perform better based on their snapshot analysis of the LGPS 2015 accounts.

Both investment advisors and investment managers have noted that the effects of pooling in England and Wales are already providing benefits for the Scottish LGPS through lower fees while to date the costs of restructure have been avoided.

- ***What would be the positive impacts?***

Larger funds tend to be able to access cheaper fees due to scale. These may benefit the smaller funds who manage a minority of LGPS assets.

- ***What would be the negative impacts?***

The consultation document notes significant cost savings as a potential advantage of this option. There is however as yet little UK and clearly no Scottish evidence to support this assertion. The larger funds that already enjoy these benefits of scale are unlikely to see any benefits in terms of cost reduction as they already access the cheapest fees.

Proposal is untried and the risks of merger are not fully understood. This feels like a step in the dark for unquantified benefits

- ***If merging were possible, under what circumstances should a fund consider a merger?***

Forced merger could require primary legislation.

- ***Under what circumstances should the SLGPS consider directing funds to merge?***

Significant evidence of governance failures or the inability to meet future liabilities following a deficit recovery period agreed with the fund actuary.

b) Governance:

- ***What impact do you think mergers between funds would have on governance?***

It would have a significant impact on local governance for those councils who currently operate a fund.

A merged model with one governance structure would be cheaper to administer

- ***What would be the negative impacts?***

This would effectively remove a local service from local control. Recent examples of merger in other services at national level have proved to be controversial and problematic with a lack of clarity regarding the realisation of the original objectives.

c) Operating risks:

- ***What impact do you think mergers between funds would have on operating risks?***

It is not clear what effect this option would have on funding levels, which could potentially change for individual employers under a fully merged structure.

- ***What would be the positive impacts?***

This option would eliminate key person risk for smaller pension funds.

- ***What would be the negative impacts?***

This option would however increase pressure on remaining council staff and as TUPE would be required reduce capacity at local level.

d) Infrastructure:

- ***What impact do you think mergers between funds would have on funds' ability to invest in infrastructure?***

It is unclear how merger would assist with the process of investment in infrastructure. If such investment is identified as being the correct course of action for funds as part of their strategy this should be pursued. A number of pension funds are already investing in infrastructure. Collaboration without restructure provides an equally valid route to access infrastructure at potentially much lower cost.

- ***What would be the positive impacts?***

A larger fund may have more appetite for alternative infrastructure investments.

- ***What would be the negative impacts?***

There is a danger that merger is seen as providing a solution to a political aspiration. Potential Investment in infrastructure should not be seen as a driver for this option.

See below

e) Do you have any additional comments about this option?

New governance arrangements would be required and this would incur additional costs during transition.

The move to formal restructure would lessen links to local decision making for example with regard to investment strategy and asset allocation, removing a key role for elected members in the governance of pension funds.

The effect on employer contributions is not known. It should be noted however that some of the smaller funds have the lowest contribution rates at present indicating a high degree of efficiency in terms of cost and investment returns. The funds in rural areas in SBCPF also have the some of the highest longevity for fund members.

The effect of any merger on Fund diversification is not known. There is a risk that investment in assets with higher risk profiles over many years may be required to compensate for the costs of merger.

Full Merger is likely to require expensive restructuring. There is no evidence that restructuring in England and Wales has, or will, deliver tangible benefits when compared to previous arrangements.

Any move to restructure the current LGPS must be based on sound empirical evidence and must deliver tangible improvement for both large and smaller funds when compared to the current structure.

The process of merger may unsettle the membership of the LGSP encouraging transfers out of the fund and discouraging new entrants.

Question 5: Preferred and additional options

The text can wrap onto additional pages.

a) Which option does your organisation prefer? Please explain your preference.

The Fund believes that there is no reliable empirical case for change and much more work would have to be done to evaluate the benefits and risks associated with change before options involving pooling or merger could be supported as being in the best interests of the fund membership.

In the absence of evidence to the contrary the SBCPF is of the view that such change is likely to have a detrimental impact on performance and pensioner confidence and for this reason believes option 1 should be considered. However SBCPF believes increased collaboration (option 2) could achieve a number of positive benefits whilst the options and results of the E&W changes undergo a proper evaluation of the evidence before any change is undertaken. This would avoid the need for pooling or expensive, time consuming and un-proven structural reform.

b) What other options should be considered for the future structure of the LGPS?

There are no other options SBCPF identify should be considered.

c) What would be the advantages and disadvantages of these other option for funds' investment costs, governance, operating risks and ability to invest in infrastructure?

N/A

d) Are there any other comments you would like to make?

No

The consultation questions end.



STATEMENT OF RESPONSIBLE INVESTMENT POLICY

Report by Chief Financial Officer

JOINT PENSION FUND COMMITTEE AND PENSION FUND BOARD

30 November 2018

1 PURPOSE AND SUMMARY

- 1.1 The purpose of this report is to approve the Statement of Responsible Investment Policy for the Pension Fund.**
- 1.2 The Pension Fund as part of its fiduciary duties is required to ensure appropriate consideration is given to Environmental, Social and Governance (ESG) issues as part of its investment decisions, whilst acting in the best interest of the scheme beneficiaries.
- 1.3 The Committee and Board to ensure its fiduciary duties are met and in line with good practice, agreed to the development of a separate Statement of Responsible Investment. A draft of this was presented to the Committee and Board in September and Appendix 1 reflects the outcome of the discussion from the meeting.
- 1.4 The Policy sets out the overarching principles the Fund requires Manager to act within and sets out how the Fund will monitor the adherence to this policy.
- 1.5 The draft Statement has been available on the Scottish Borders Council Pension Fund website for members of the fund to review and comment on.

2 RECOMMENDATIONS

- 2.1 It is recommended that the Pension Fund Committee approves the Statement of Responsible Investment as contained in Appendix 1.**

3 BACKGROUND

- 3.1 The Committee has an overriding fiduciary duty to maximise investment returns for the benefit of the Fund members. In doing so it is intended that the financial contributions required of Fund employers will be minimised.
- 3.2 Trustees of the Pension Fund also have a responsibility to ensure the Fund is undertaking its investment activities in a socially responsible way. This means the fund must be aware of its Environmental, Social and Governance (ESG) responsibilities.
- 3.3 Public interest in ESG has increased in recent years and there is a drive to increase the responsibilities placed upon Trustees for Environmental, Social and Governance issues. It is no longer acceptable for Trustees to do nothing on ESG.
- 3.4 Over the last year the Committee and Board have discussed ESG matters and agreed to review the ESG section of the Statement of Investment Principles. Upon review of good practice adopted by the Fund's Managers and other Pension Funds it has become clear that a separate Statement of Responsible Investment would fulfil the Fund's ESG responsibilities more appropriately. A draft Policy was discussed on 13th September and the comments and feedback from the discussion have been incorporated into the revised Policy.

4 STATEMENT OF RESPONSIBLE INVESTMENT

- 4.1 Appendix 1 contains the proposed Statement of Responsible Investment policy for the fund.
- 4.2 The Policy set outs the Fund's ESG obligations and details how it is proposed these obligations are met, in line with the funds fiduciary duties.
- 4.3 The Policy sets out the Funds overarching principles for each area as follows:
 - **Environmental** – to minimise environmental impact and encourage Companies to act in a responsible and sustainable way.
 - **Social responsibility** – to ensure Companies adhere to laws and standards, adhere to relevant regulations and ensure highest standards of employee standards are upheld
 - **Corporate Governance** – investments adhere to highest standards of ethical conduct.
- 4.4 Individual investment decisions are delegated to Fund Managers. Managers will be required to sign up to the UNPRI and Stewardship Code and to demonstrate consideration of these in their investment decisions.
- 4.5 Voting remains delegated to the Fund Managers on behalf of the Fund.

- 4.6 Monitoring will be carried out formally on an annual basis with a Responsible Investment report being presented to the Joint Committee and Board. This will be augmented informally by the Performance and Investment Sub Committee during their interaction with the Fund Managers.
- 4.7 To allow the annual monitoring to be undertaken each Manager will be required to complete an annual return which will allow Managers to be scored against the Funds ESG criterion.

5 IMPLICATIONS

5.1 Financial

There are no direct financial impacts relating this report.

5.2 Risk and Mitigations

The establishment of a Statement of Responsible Investment Policy and monitoring process will ensure the Fund meets its requirement under its fiduciary duties to ensure it has appropriate regards to ESG responsibilities.

5.3 Equalities

It is anticipated that there are no adverse impact due to race, disability, gender, age, sexual orientation or religion/belief arising from the proposals in this report.

5.4 Acting Sustainably

This report approves a policy of responsible investment which will require Fund Managers and Companies the Fund is invested in to ensure the environmental impact of their operations are considered and encourage them to act in a sustainable way

5.5 Carbon Management

This report will have no direct impact on the carbon emissions of the Council. It will however encourage Managers and Companies invested in to ensure the environmental impact of their operations are considered and encourage them to act in a sustainable way.

5.6 Rural Proofing

It is anticipated there will be no adverse impact on the rural area from the proposals contained in this report.

5.7 Changes to Scheme of Administration or Scheme of Delegation

No changes are required as a result of this report.

6 CONSULTATION

- 6.1 The Monitoring Officer, the Chief Legal Officer, the Chief Officer Audit and Risk, the Service Director HR and the Clerk to the Council have been consulted and any comments received have been incorporated into the final report.

6.2 The draft Policy has been available on the Pension Fund website for the month of November to allow consultation with Members and interested parties. Comments received have been taken into consideration for the final report.

Approved by

**David Robertson
Chief Financial Officer**

Signature

Author(s)

Name	Designation and Contact Number
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Background Papers:

Previous Minute Reference: Pension Fund Committee, 13 September 2018

Note – You can get this document on tape, in Braille, large print and various computer formats by contacting the address below. Pensions & Investment Team can also give information on other language translations as well as providing additional copies.

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1. STATEMENT OF RESPONSIBLE INVESTMENT

- 1.1 Scottish Borders Council Pension Fund's (SBCPF) overriding obligation is to act in the best interests of the scheme beneficiaries. In this fiduciary role SBCPF believes that a positive approach to Environmental, Social and Corporate Governance (ESG) issues can positively affect the financial performance of investments whereas a failure to address these considerations can have a detrimental effect. In accordance with Trustee fiduciary duty, it is imperative that we act 'prudently, responsibly and honestly' and therefore consider both short term and long term risks when making investment decisions.
- 1.2 The Trustees recognise for example that Fiduciary duty goes beyond simply enhancing long-term returns, and in order to act prudently in the best interest of the scheme members, trustees should consider the impact of their investment decisions on risks such as climate change and other ESG related issues that can have an impact on sustainability and the value of the assets of the Fund over the long term.
- 1.3 SBCPF has therefore developed this Statement of Responsible Investment to outline how such issues are incorporated into its investment practices.
- 1.4 As a means of demonstrating its commitment to responsible investment practices, SBCPF has introduced an initial screening process to ensure all new managers adhere to and report on the United Nations Principles for Responsible Investment (UNPRI) Code & Stewardship Code, managers will be expected to use ESG factors as a tool for gather information to improve decision making, thereby managing risks.
- 1.5 SBCPF believes its obligations to scheme beneficiaries can be met by taking a balanced approach to ESG issues which uphold the highest standards, and which seek to ensure that the fund minimises any harm to the environment and society, whilst ensuring it builds up a portfolio of assets that are best placed to meet its future liabilities.
- 1.6 The Fund wishes to see its environmental foot-print minimised, its social responsibilities maximised and the highest standards of employee relations and corporate governance maintained.
- 1.7 The Fund requires its investment managers to adhere to these standards in all their investments activities and plans to monitor how these standards are upheld for the following set of overarching principles.

2 OVERARCHING PRINCIPLES

2.1 Environmental

2.1.1 SBCPF will seek via its investment activities to minimise its impact on the environment. It will seek to ensure our investments minimise any impact on pollution or climate change at a global and local level.

2.1.2 Where investment activities do have a material impact on the environment, SBCPF will encourage managers to work with Companies to ensure they are

acting in a responsible and sustainable way and are fully committed to ESG principles.

2.2 Social responsibility

2.2.1 SBCPF wishes to ensure that managers invest in companies who adhere to all applicable laws and standards. SBCPF wish to invest in companies who have good relations with the communities they are based and ensure that these companies uphold principles of non-discrimination, fairness and avoidance of human risks violations.

2.2.2 Employee Relations – SBCPF through its fund managers we wish to ensure that none of its investments use forced or direct child labour, that the highest safety standards are upheld for employees, and where applicable employees are able to join trade unions and engage in collective bargaining.

2.2.3 SBCPF will make every effort to comply with relevant regulations governing the protection of human rights, health and safety, the environment, and the labour and business practices of the jurisdictions in which we conduct business and consider these issues in the context of our Fiduciary duty to protect members' retirement benefits'. SBCPF will seek annual assurance from its managers that the funds invested have met these standards.

2.2.4 When companies are involved in certain controversial activities, we may refrain from investment in those companies. For example, we may decide to exclude companies which are involved in the production of controversial weapons.

2.3 Corporate Governance

2.3.1 SBCPF want to ensure that all our investments adhere to the highest standards of ethical conduct and the opportunities for bribery or corruptions or money laundering are minimised.

2.3.2 SBCPF wishes to ensure Executive Managers are remunerated and incentivise appropriately. SBCPF will work through its fund managers to ensure that companies pay an appropriate share of their tax burden, in compliance with applicable law.

3 INVESTMENT DECISIONS

3.1 SBCPF delegates the selection of investments held to its fund managers and does not impose any investment restrictions in regard of social, ethical and environmental issues. SBCPF does not make any investment decisions specifically for social, ethical and environmental reasons.

3.2 SBCPF has however instructed its active and passive fund managers to take account of ESG considerations in their investment decisions, provided the primary financial obligation is not compromised.

- 3.3 SBCPF will ensure that the fund managers it appoints are capable of appropriately considering ESG issues when making investment choices, it will monitor the managers' action in this area and will work with fund managers and the investment sector to ensure sufficient data is available to aid effective decision making.
- 3.4 SBCPF believes that, as a responsible investor, it has a legitimate interest in the management and corporate governance of the companies in which it invests and supports the use of voting as a means of expressing concern over ESG issues. The Fund seeks to improve corporate behaviour by maintaining effective shareholder oversight of the directors and company voting policies is undertaken on SBCPF's behalf by its fund managers. That is, SBCPF has delegated stewardship responsibilities and voting policies to the Fund managers who are expected to fully exercise the right to vote at company meetings in the best interest of shareholders as they see fit.
- 3.5 All fund managers are encouraged to engage, on SBCPF's behalf, with those companies where ESG policies fall short of acceptable standards and where this is likely to have a detrimental effect on the long-term value of the company.

4 ESG MONITORING

- 4.1 The Fund believes that signature and adherence to the UNPRI codes provides an appropriate starting point for demonstrating that they comply and believe in these principles. The Fund will encourage its fund managers to monitor the performance of companies which they are investing on the Funds behalf to comply with these principles. The fund will require an annual statement from its fund manager demonstrating how its investments meet these principles. The Fund will ask its managers to provide a statement to show how managers have considered ESG issues in their investment decisions and provide evidence to how they have engaged with Companies to promote ESG issues and flagging areas for improvement where required.
- 4.2 In order to do this the policy will develop a scoring criterion to ensure each asset manager has fulfilled the ESG criteria set by SBPF. It will not be the purpose of the policy to influence individual management investment decisions; however, it will encourage the correct behaviours to ESG issues and allow managers to demonstrate their compliance.
- 4.3 The fund expects its managers to vote at all times in the best interest of the Fund and in compliance with its ESG principles. The Fund supports the principles set out in the UK Stewardship code and will publish a statement of adherence to this code annually. The Fund will require its fund managers to provide copies of their statements to the stewardship code and will monitor their compliance with its principles.

Definitions

The aim of the UNPRI is to ensure that ESG issues are considered during the investment process and subsequent management of investments. The UNPRI was launched in 2006 and has become a standard for global best practice in responsible investing.

In accordance with the UNPRI, the Trustees will adopt the following principles where reasonable:

1. We will incorporate ESG issues into investment analysis and decision making processes
2. We will be active owners and incorporate ESG issues into our ownership policies and practices
3. We will seek appropriate disclosure on ESG issues by the entities in which we invest
4. We will promote acceptance and implementation of the Principles within the investment industry
5. We will work together to enhance our effectiveness in implementing the Principles
6. We will each report on our activities and progress towards implementing the Principles

INFORMATION UPDATE
Briefing Paper by Chief Financial Officer

PENSION FUND COMMITTEE & PENSION BOARD
30 November 2018

1 PURPOSE AND SUMMARY

- 1.1 **This briefing paper is to provide members of the Committee and the Board with an update on a number of areas which are being monitored and areas where work is progressing. Full reports on the individual areas will be tabled as decisions and actions are required.**

2 GMP RECONCILATON

- 2.1 Stage 2 of the GMP Reconciliation continues to be progressed by ITM on behalf of the Pension Fund. This stage of the project is the reconciliation of discrepancies between HMRC and the records held on the Pensions Administration system for Active and Deferred members and those with a Pension payment already in place.
- 2.2 Scottish Borders Council received the latest update report from ITM on 20 November 2018 and these are summarised below:-

	Representing No of Members	
39%	8,253	Fund members have been reconciled
45%	9,360	Fund members who are outwith the scope for reconciliation. Generally these are members who have no liability under the scheme having either pre 6 April 1978 service only or only post 5 April 2006 service
16%	3,332	Fund members who are still unreconciled. These are either awaiting data from HMRC or further investigation by SBC/ITM
100%	20,945	

- 2.3 Of the 3,332 members that are still unreconciled:-
- 2,310 members – HMRC have forwarded replies to these queries to ITM and are scheduled for processing
 - 742 members – awaiting replies from HMRC
 - 142 members – are awaiting confirmation by SBC on which way to proceed
 - 138 members – under review by IM
- 2.4 Scottish Borders Council continues to receive monthly updates on the progress of the GMP Reconciliation exercise from ITM Limited and liaise with the ITM Project Manager to discuss.
- 2.5 The project was scheduled to be concluded by December 2018, information received from ITM has indicated that due to the delay in receiving responses from HMRC it will be into the first quarter of 2019 before this is concluded. All queries have been submitted to HMRC prior to the deadline of 31 October 2018. Officers will continue to engage with ITM to ensure all records are reconciled in accordance with the scope of the project.

3 PENSION REGULATOR SCHEME RETURN – DATA SCORING

- 3.1 To ensure funds adhere to good practice on record keeping The Pension Regulator (TPR) has introduced a scheme to measure the quality of the data held.
- 3.2 The data is measured on the following two areas

Data name	Areas covered
Common Data	NI number, Surname, Sex, expected retirement date, last status, postcode, DOB, First name, date pensionable service started, membership status & address
Scheme Specific Data	Contribution history, investment decisions, value of members pension, employment records and others specific to the scheme

- 3.3 The fund has submitted its data for measure and has received the following results
- Common data – 51.7%
 - Scheme Specific data – 67.7%
- 3.4 The main issue with the Common data is around post codes being held in other fields other than the post code field. This is a historic issue where address structures were held in a different manner to reduce the cost of postage.
- 3.5 The main issue with the Scheme Specific data is around total contributions where there are no contributions recorded.

3.6 A full report on the scheme members affected will be provided with a rectification plan to cleanse the records accordingly at the next meeting.

4 SCHEME ADVISORY BOARD

4.1 The Scheme Advisory Board (SAB) met on 4th October 2018. The agenda contained the following items

- SAB work plan
- Transparency Code
- Governance Review – Training & Communication
- Annual report working group
- Pensions update
- SPPA update
- Financial report

4.2 Appendix 1 contains the SAB published summary of the meeting.

5 TRAINING OPPORTUNITIES

5.1 The Pension and Lifetime Savings Association (PLSA) hold an annual investment conference in Edinburgh over 3 days. The dates for the next conference are 6-8 March 2019. To assist members of the Committee and Board to attend the Joint meeting on will be held at KPMGs offices in Edinburgh on the 7th March.

5.2 Baillie Gifford holds an LGPS seminar every two years. The next one will be 9-10 October 2019. The fund will be allocated 6 places but will be able to get some extra day places if required. Once the agenda is know it will be circulated and names taken.

Author(s)

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